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China Report

ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

VISIT WITH MA DING AT NANJING UNIVERSITY

Hong Kong CHING PAO [THE MIRROR] in Chinese No 6, 10 Jun 86 pp 46-48

[Interview of Ma Ding by special correspondent, Wang Yongli [3769 0516 0500]: "A Visit With Ma Ding at Nanjing University"; date not given]

[Text] [Editor's Note] After the "Ma Ding [7456 0002] Incident," Ma Ding himself attracted wide interest. CHING PAO's special correspondent made a special journey to Nanjing University to visit Ma Ding and reveal details of his personal history and of the process involved in thinking up "The Ten Major Transformations." Ma Ding was also requested to express his attitude toward the debate centering on him and his article. [end of Editor's Note]

The increasingly intensifying overall economic reform in mainland China has captured world attention. Any probing inquiry or innovation in mainland economic theory circles inevitably evokes strong repercussions. The debate caused by the publication of an article entitled, "The Ten Transformations of China's Current Research in Economic Theory" by a young instructor from Nanjing University's philosphy department under the pen name of Ma Ding and the resulting "Ma Ding Incident" is just one example.

The accusation directed at Ma Ding by "theoretical authorities" attacking his article as typifying "bourgeois liberalization in economics" and "high-level spiritual pollution" elicited even more speculation concerning Ma Ding. Some have said Ma is a student of the economist Fuwuche [1381 0063 6508], or that Ma must have "someone behind him." Some people have even spread the erroneous rumor that Ma is a "foreign scholar."

In order to obtain the real story regarding Ma Ding, this reporter made a special trip to Nanjing University to interview this person so much in the news.

However, before removing Ma Ding's "veil of mystery," let us first review what exactly are the 10 transformations proposed by Ma for economic research in mainland China. (For the sake of accuracy, the following theses have been culled from the pages of the GONGREN RIBAO.)

The Storm of Controversy Caused by the "Ten Major Transformations"

According to Ma Ding, the first transformation should be "a shift from an economics of criticism and attack to one of constructiveness." Due to the fact that, "Marxist political economy is faced with entirely different historical tasks in different historical periods," and because, "after socialism changed from scientific theory to a reality in the 20th century, Marxist political economy was no longer faced with the task of criticizing the old capitalist world, but with the even more arduous historical task of constructing the new socialist world." Therefore, "China's economic theorists must leave their dogmatic bookishness behind in studying the economic problems of socialism, and should proceed from lively reality to create a science of economics for the construction of socialism."

From his study of rural adverturism during the creation of the people's communes, the attack on the bourgeois right during the "cultural revolution," the foreign-oriented adventurism and other mistakes, Ma Ding developed the idea of the second transformation as "a shift from theoretical expounding and commentary in economic policy to scientific analysis." Ma writes, "For a long time, Chinese economists have been satisfied with simply defending and adding explanatory footnotes to economic policy already in existence. Very few have engaged in thought-provoking, fastidious criticism or even scientific analysis." "In a socialist society, the problem does not lie in the absolute opposition of economic science and economic policy, but should be concerned with uniting the two, so that the latter becomes the foundation of the former."

Due to the existence in mainland China "for a long time of an ultraleft political line and traditional conservatism in ideology that led to Chinese economists being blind in the right eye, we came to stress only the critique of the vulgarity, defensiveness and reactionary nature of current contemporary bourgeois economists, totally ignoring the practical, rational, and scientific side of their theories." From this, Ma proposes that the third transformation should be "a shift from the rejection and denial of contemporary Western economic theory to analysis of and learning from it."

The fourth transformation is "from the study of the relations of production to the forces of production and the mutual interaction between the forces and relations of production and the mechanisms involved." The fifth transformation is "from general research in economic theory to practical research in economic mechanisms in motion." The sixth is "from qualitative to quantitative economic analysis." These three transformations were proposed based on an examination of the partiality shown by mainland economists in research work for the past 30 years. Ma's purpose is to enable current research work to focus on weak links seldom touched upon in the past.

With the same goal in mind, Ma Ding proposed "a shift from theoretical to applied economics," "from microeconomics to macroeconomics," "from short-term planning to long-term strategic studies" and "from isolated single-discipline research in economic theory to comprehensive, multidisciplinary socioeconomic research."

It is also his belief that, "The current knowledge structure of China's economists is seriously imbalanced; many Chinese economists have a good foundation in systematic Marxist economic theory, but lack knowledge in historiography and statistics." Therefore, the 10th transformation is "from a linear knowledge-structure to a composite knowledge-structure."

In the conclusion of his article on the "Ten Major Transformations," Ma Ding writes, "Current research in Chinese economic theory is undergoing a fundamental transformation which must be completed by China's economists."

People in China's economic circles, if not the average reader, share the widespread belief that the 10 transformations listed in Ma Ding's article represent a summary of the situation and development trends in Chinese theoretical economics since the overall economic reform, and basically correspond with reality. Overall, the main idea and analyses of problems in the article are fairly solid and pertinent. Although there are insufficiencies, the article can be said to be a good one. Quite a few people have suggested that in dealing with questions of right and wrong in academic matters, one must always maintain a cautious, serious, and egalitarian attitude and avoid making groundless accusations and repeat hearsay, which would not only be bad for Ma Ding, but would destroy the lively atmosphere in China's economics circles as well.

Ma Ding's True Identity Not Revealed Until He Applied for Housing

The "Ma Ding Incident" did not abate until Hu Yaobang and Zhao Ziyang issued directives on the matter, but other rumors about him continue to circulate.

In order to avoid missing Ma Ding, this reporter called Ma Ding long-distance to make an appointment with him before setting out for Nanjing University. Who would have known that the door would have been slammed in my face when I got there. A neighbor told us that Ma and his wife had gone out, leaving the message: "Tell the visitors not to bother waiting for me." This was clearly a refusal to meet us.

At a loss as to what to do, I strolled about the campus until I got lucky and encountered a colleague of Ma's, a Mr Ni, who told me, "Ma Ding's article stirred up a storm in society, but everything has been calm on campus. It took a longer time for the philosophy department to find out about it and Ma Ding hasn't encountered any difficulties."

It was rather amusing to find out that due to the fact that the article on "The Ten Major Transformations" was published in the GONGREN RIBAO, part of the All-China Federation of Trade Unions system, under the pen name of Ma Ding, it has not yet elicited much attention from the staff of the philosophy department. The department has a regulation that says first priority in assigning housing will be given to young instructors who have published. At the time, Ma Ding was preparing to get married, so he brought a copy of the newspaper with his article in it to apply for housing. It was not until then that everyone knew that "Ma Ding" was a department instructor.

Yu Shaoyi [0151 4801 5939], vice president of Nanjing University in charge of humanities, specially convened two young authors forums to discuss Ma's article, at which he remarked with gratification: "Nanjing University is excellent academically, and its most influential scholars are young people. In my opinion, it is not that there are too many new ideas, but that there are not enough of them. A high-quality, unique, influential 'group of young authors' should be cultivated."

The philosophy department of Nanjing University truly deserves to be called the cradle of young scholars. Quite a few academic viewpoints that have shaken up mainland theoretical circles have begun here, such as Liu Linyuan's [0491 2651 0955] graduation thesis once praised by Mao Zedong in the 1960's, in which it was suggested that the main aspect of a contradiction determines the nature and viewpoint of things. When mainland theoretical circles began eliminating the baneful influence of the "left" in the late 1970's, an article by a young instructor, Hu Fuming [5170 4395 2494] entitled, "Practice Is the Only Measure of Truth" constituted a major breakthrough in cognitive theory. Ma Ding's "The Ten Transformations of China's Current Research in Economic Theory" published during the overall economic reform of the 1980's, represents an examination of and supplement to the conclusions of the classic works of Marxism. The "Ma Ding Incident" made the academic atmosphere of Nanjing University quite lively to an unprecedented degree. Young instructors from quite a few departments organized academic study groups and "salons" to begin inquiries into some "hotly debated problems" in the realm of social science. In light of this, the university journal initiated a special "Young Authors' Forum" page.

The True Origin of His Pen Name

As night began to fall on Nanjing University and the lights went on and the symphony of pots and pans and cooking utensils began, I went again to knock on Ma Ding's door. Not unexpectedly, Ma and his wife were eating dinner together.

This person whose name had gained considerable fame among his contemporaries, finding himself in the middle of a whirlpool, was in fact, quite young, and gave the impression of not having quite completely reached adulthood. He wore a pair of glasses and a rather shy expression on his pale refined-looking face. Mr Ni's evaluation of Ma--"He studies hard and is sincere and honest"--hit the nail on the head.

Ma Ding insisted that he was merely an ordinary, run-of-the-mill "education craftsman," not worthy of any special notice. Indeed, Ma Ding's experiences were not much different from others of the same age. His real name is Song Longxiang [1345 7893 4382]. The son of a peasant family from Jiangsu's Yancheng, he returned home to farm after graduation from secondary school, and later passed the entrance examination for Nanjing University's philosophy department where he studied for the Master's degree under Professor Sun Bogui [1327 0130]. After graduation he remained at the university to teach. His choice of the pen name "Ma Ding" has nothing to do with the phrase "a man of Marxism" ("Make sizhuyi yi ding" in Chinese), but originated in a nickname classmates had given him during his college days.

Ma Ding's apartment consisted merely of a small 12-square-meter room. Most of the space was taken up by bookshelves and desks. In addition, the many artistic works hanging on the walls gave the place a feeling of refined good taste. It is said that the philosophy department had its own little "local policy." The school's housing department insisted on "doing official business according to official principles" and sent someone to visit Ma daily to convince him to move out or to fine him. Upon hearing this, the vice president of the university and Russian literature expert, Yu Shaoyi remarked, "The room we assigned him was too small!" From then on, Ma Ding could settle down in his new quarters.

Faced with Ma Ding's "no comment" attitude, we changed the subject to some theoretical problems facing China's present overall economic reform which caused him to talk on and on in a flow of eloquence.

Primary Focus on Philosophy, Tentative Research in Economics

When we brought up the subject of "The Ten Major Transformations," Ma Ding said that he had written the article during last year's 2-month summer vacation, and that it was his first tentative stab at economics research. It had been published because he had an ex-classmate working at the GONGREN RIBAO to whom Ma had submitted the article.

Ma Ding majored in the history of Marxist philosophy. When he was a student he felt that philosophy should not be confined to aimless ideological debate within the conceptual realm, but must take note of the current state of research and development trends of positivist sciences and review and summarize their conclusions. If philosophy fails to ally with the natural and social sciences, it cannot avoid a fate of pure debate and spiritual impoverishment. Nor can the feeling that people have toward philosophy as being in a state of "crisis" and their lack of faith in it be changed. Therefore, Ma Ding is striving to push research in Marxist philosophy forward by the study and exploration of economic science. Many of the courses he took while studying for his Master's were taken from the economics department, including three volumes of "Das Capital," the history of economic theory, current Western economic theory, comparative economic theory, and so on. In addition, he passed his graduation oral examination on a thesis entitled, "The Relationship Between the Economic Thought of the Young Marx and His Philosophy."

Ma Ding never anticipated that his "Ten Major Transformations" would arouse such a storm of controversy. He indicated that he welcomed criticism of the article from the older generation in economics circles, colleagues and readers in order to inspire him to do more indepth research. However, he sincerely hopes that his critics will seek truth from facts and have grounds for their criticisms.

As night fell, we said our goodbyes, repeatedly expressing our apologies for the recent constant stream of visiting reporters which has been disturbing Ma Ding, a man of little talent in socializing to the extent that he now refers to smoking as his "hobby," and his wife, a graduate student at the Railway School of Medicine studying for a Master's Degree in medical science.

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PEOPLE'S BANK HEAD OUTLINES FINANCIAL PROGRAM FOR 1986

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] No 4, 4 Apr 86 pp 2-5

[Article by Chen Muhua [7115 1970 5478]: "Efforts Must Be Made To Achieve Financial Goals for 1986"; portions within slant lines in italics]

[Text] The current year marks the first year for the implementation of the Seventh 5-Year Plan. A wide gap still exists between the supply and demand of bank credit funds and the difficulty of bridging the gap is considerable. The reason is that, although a large supply of funds by the banks is necessary to maintain a certain rate of economic growth, their credit fund resources are limited. In view of the need for large amounts of circulating funds, the continual increase in consumer funds and the likely increase in the purchase of subsidiary agricultural products, we are faced with the formidable problem of exercising control over the amount of currency that needs to be put into circulation. Serious efforts must be made to resolve the difficulties arising from the shortage of funds and to tackle problems in the financial field if a solid foundation is to be laid for engaging in various banking operations during the Seventh 5-Year Plan period.

In his address to a meeting of the State Council on national planning and economic work in January 1986, Premier Zhao pointed out that, insofar as our work in the economic field during the current year is concerned, attention must continue to be directed toward the solution of the problem arising from the excess of total demand over total supply in society to ensure stable economic growth. In our economic work in 1986, emphasis must be put on the following: First, the scope of investment in fixed assets must be put under control and properly adjusted; second, we must further promote production and increase the production of commodities that are in demand in order to satisfy market and export needs; third, we must do well in our foreign trade and export operations; fourth, we must use every means to increase savings deposits. To reform the banking system during 1986, we must increase savings deposits, improve banking services and make good use of our funds and our new experiences. What was said by Premier Zhao represents the guiding thought for approaching our task in banking operations during 1986.

As has been pointed out by Premier Zhao, the general demands in our work in the financial field during 1986 are as follows: While seeking to strengthen macroeconomic control over our finances, we must also improve

such control, seek to implement the policy of dealing with different cases on their own merits and avoid arbitrary uniformity; while continuing to exercise control over increased demands, we must also increase sources of supply, make loans available within reasonable limits, and do what we can to further invigorate the economy; while seeking to reduce the excessive speed of development, we must also maintain a proper rate of development to achieve economic effectiveness; we must direct our efforts toward achieving a balance in the incomes and expenditures of credit loans and foreign exchange, maintaining currency stability, promoting the coordinated development of the economy, and establishing a sound economic structure. To meet the above requirements, it is necessary to increase sources of income and reduce expenditures. The key to the problem is to increase economic effectiveness in society and to establish an organic integration between exercising control over demands and increasing sources of supply. In order to fulfill our task in the financial field in 1986, we must adopt practical and effective policy measures.

1. /Increase of deposits and savings./ It is necessary to strengthen propaganda work, promote savings, improve services, establish as many savings network outlets as is necessary, make use of new technologies, such as electronic computers, and increase working efficiency. The contracting of savings management operations may be adopted on a trial basis. In cities where it is difficult to establish network outlets, savings institutions may be jointly established with the large enterprises. Efforts should be made to attract bank deposits and increase the recall of currency in the rural areas. Steps should be taken to set up savings agencies. Postal savings operations should gradually be introduced. The various specialized banks should be permitted to issue financial bonds to raise circulating fund loans, loans for collective enterprises in the cities and loans for winding up operations of the economically effective township and town enterprises. Establishments dealing in commodities should be permitted to open special savings accounts. Measures should be adopted to increase the fixed deposits of the enterprises, to provide better services to the collective enterprises in the cities and towns and individual industrial and commercial establishments and to centralize the financial resources they have at their disposal. Serious efforts should be made to develop insurance operations at home and abroad and to accumulate construction and insurance funds for the nation.

2. /Exploitation of the potential of circulating funds, continued implementation of the policy of dealing with different cases on their own merits and rendering the necessary support to meet production and circulation needs./ Circulating fund loans should be extended on the merits of each individual case. In the extension of circulating fund loans, priority should be given to enterprises engaged in energy production and the development of communication, transportation, and raw materials, enterprises producing consumer goods in great demand, production and purchasing operations of enterprises earning foreign exchange through their exports, the further invigoration of large and medium enterprises and the development of tertiary industry. In the extension of agricultural loans, priority should be given to the development of grain production and the breeding industry and to the purchasing of subsidiary agricultural products within the plan. Within the limits of our financial resources, support should also be given to the purchasing of subsidiary agricultural products outside the plan which enjoy brisk sales and whose prices are in conformance with the pricing policy of

the state. The "Regulations Governing Loan Contracts" issued by the State Council must be strictly enforced. Bank loans should not be extended to enterprises which continue to produce overstocked commodities, which have no means of recouping the losses resulting from their operations and policy errors, enterprises which make paper profits while suffering actual losses, and enterprises which fail to reverse their losses within a fixed period of time. Enterprises which make use of circulating funds to engage in capital construction, to cover their losses, to pay profit taxes to the state, and to engage in investments in violation of regulations are required to put things in order within a fixed period of time. Bank loans are not to be extended to enterprises which fail to turn things around and loans which have already been extended are to be recalled. Enterprises suffering material and financial losses must use their own funds to offset such losses and are not permitted to suspend operations. Without special permission granted by the state, no unit is to be permitted to divert funds allocated by the state and loans extended by the banks. In applying for circulating fund loans, newly established and expanded enterprises which have gone into production must have 30 percent of such funds of their own. If the products of the economically effective enterprises enjoy brisk sales and if such enterprises should truly encounter financial difficulties, the banks may provide them special loans by issuing bonds. If bank loans are required to be used as circulating funds for investment and the start of production by the Chinese side in joint ventures, prior approval must be obtained from the banks. The enterprises must have a certain percentage of funds of their own to engage in production operations and are required to use their profits after the payment of taxes to replace their losses. The banks have the power to reduce the amount of loans to enterprises failing to do so. Local financial departments which have surpluses may allocate to the enterprises large amounts of funds of their own or authorize the extension of loans to the enterprises by the banks. The banks should assist and encourage the concerned parties and the enterprises themselves to sell overstocked supplies at reduced prices, to clear up outstanding arrears in the buying and selling of goods, to reduce the amount of funds being held up, and to reduce unreasonable loans and the shortage of funds.

3. /Strict control over loans for fixed assets and increase in consumer funds./ The number of loans for fixed assets decided upon for the current year must be put under strict control. Loans may be extended to projects whose fixed assets have been appraised and found to be economically effective. As regards projects which have been included in the plan but which fail to qualify for the granting of loans, the banks should so inform the concerned departments with the request for reconsideration. As for projects which have not been included in the plan but which should nevertheless be set up, the concerned departments should incorporate them into the plan and loans should be extended to them by the banks from their available funds. Henceforth, the party planning to engage in capital construction must assume responsibility for making circulating funds available according to regulations. Conditional and planned supports should be given to township and town enterprises with consideration being given to the situation prevailing in the various regions and the nature of the circumstances. Support should in the main be given to projects of technical reform, construction materials,

mining, transportation, subsidiary agricultural products, and the manufacture of complete sets of industrial equipment so that township and town enterprises may be developed in line with macroeconomic effectiveness. Strict control must be exercised over developmental loans for SEZ's and coastal cities open to foreign countries so that they may engage in construction projects as they develop and make a profit from their operations. They should be given support so that they may earn foreign exchange by developing exports and engage in the outward type of development. The winding up of trust investment projects must have the approval of the People's Bank and be listed as an item in the state plan.

Strict control must continue to be exercised over consumer funds which are to be disbursed in strict accordance with the plan setting the total amount of wages to be paid by the various regions and departments. Efforts must be made to eliminate the unfavorable effects on life in society caused by the expansion in the amount of consumer funds.

4. /Control measures should be adopted at various levels to motivate the enthusiasm of the various specialized banks and branches of the Central Bank in various areas to exercise macroeconomic control and to readjust the supply of money in a flexible manner./ The method of "extending actual loans and making actual deposits" should be used to draw a line separating the plan from the available funds. The specialized banks are to be responsible for the accumulation of funds for the extension of loans. The amount of loans provided the specialized banks by the Central Bank is to be determined by the rate of economic development and market conditions prevailing at different periods during the year. On the basis of the plans drawn up by the various specialized banks, the Central Bank is to devise a plan for the extension of loans for the acquisition of fixed assets in the various regions. The Central Banks in various areas must study the trend of economic development within their areas and make foreasts of seasonal increases or decreases in the amount of loans for reference purposes in relaxing or tightening control over the extension of loans to enable the banks in the various areas to extend larger amounts of circulating fund loans by absorbing more deposits and by the recall of loans.

5. /Strenthening and improving control over foreign exchange and maintaining a balance between foreign exchange incomes and expenditures./ Foreign exchange control calls for the adoption of the policy of encouraging exports on the merits of each particular case. Improvement of the foreign exchange retention method enables the enterprises with foreign exchange earnings to reap the real benefits. The adoption of the new method for readjusting the rate of foreign exchange retention makes it possible to use the retained foreign exchange in a flexible manner. The readjusted scope, target, price, quota, and use of foreign exchange must be in accord with stipulations. Foreign exchange must not be transferred or resold at a profit. The strengthening of control over foreign exchange helps to shorten the cycle for earning foreign exchange income from exports. Supervision must be exercised over the recall of foreign exchange paid for the purchase of goods at the due date. Pressure must be exerted to recall foreign exchange that is overdue. The withholding of foreign exchange must be dealt with severely.

Strict control must continue to be exercised over foreign exchange for the payment of imports. The foreign exchange quota allocated to the various regions and departments must not be exceeded. Strict control must be exercised over the total amount of foreign loans contracted by the state. Commercial loans contracted and bonds issued by the localities and departments must be in accord with stipulations made by the State Council and have the approval of the People's Bank of China. Support should be given to the development of tourist trade, expansion of travel services and travel services which capitalize on the special features of localities. Better control must be exercised over foreign exchange at seaports so as to increase foreign exchange income not derived from foreign trade. Aid should be given to promote the operations of international trust and investment financial institutions. Use should be made of the funds of foreign banks to develop the economy of the special zones. Control over such funds must be strengthened. Support should be given to "three kinds of capital" to enable them to achieve a balance in foreign exchange incomes and expenditures. Efforts must continue to be made in the investigations of violations of foreign exchange control measures.

6. /Improvement of services and speeding up of circulation./ The form of commodity exchange has undergone vast changes. The widespread use of cash not only increases the amount of currency in circulation in the market, but also poses serious safety problems. Since the use of cash is detrimental to production and circulation, effective measures must be adopted to deal with the problem. In addition to the gradual adoption of modern technical equipment, we must also develop and make use of a variety of reliable mediums of exchange. Positive efforts must be made to improve the system for the settlement of accounts to make it easier for enterprises to open and settle accounts, to speed up circulation and to invigorate production. An overall effort must be made to extend the exchange and settlement of notes within the same city and to establish regional centers for the settlement of notes. A start must be made to set up centers for the acceptance, discounting, and rediscounting of commercial money orders. Such operations as the acceptance and discounting of commercial notes should be undertaken in 10 cities on a trial basis. Such problems as the payment of overdue accounts for the buying and selling of goods among enterprises must be addressed gradually on the basis of the sum of experiences which have been gained. The scope for such operations as the settlement of checks and remittances should be enlarged. A start should be made to deal with checks whose payment has been guaranteed by banks in the same city. Current deposit checks should be accepted on a trial basis. The practice of accepting checks for fixed transfer accounts for purchasing subsidiary agricultural products should be extended in the rural areas. Travelers checks should be issued at tourist centers. Cashiers checks issued by banks should be honored in a few cities on a trial basis in order to reduce the exchange of large amounts of cash. This type of work, involving as it does many parties, calls for propaganda and explanatory work.

7. /Promotion of lateral accommodation of funds and economic relations./ The financial system must, under the leadership and control of the People's Bank of China, make use of a variety of financial means to actively develop

the lateral accommodation of funds and to gradually establish a crisscrossing financial network system. The main purpose is to develop commercial note and other credit certificate operations among enterprises and financial accommodation among banks and other financial institutions. Within the limits set by the state for investment in fixed assets and the extension of loans for fixed assets, the various specialized banks should be permitted to extend loans for fixed assets to transregional and transdepartmental economic entities and loans to banking institutions. The various financial institutions should make use of a veriety of trust operations to promote lateral economic relations. Conscientious efforts should be made to reform the financial system at the five selected points of Guangzhou, Ghongqing, Wuhan, Shenyang, and Changzhou, to gain experience in the lateral circulation of funds and to establish the entrepreneurial form of management by specialized banks. With the approval of the People's Bank, collective enterprises and joint enterprises on the same level should be permitted to use stocks and shares to engage in direct financial accommodation on a trial basis.

8. /Upgrading the functions of the Central Bank and strengthening financial control./ The People's Bank should make use of the synthesized credit loan plan, financial policy, and such readjustment measures as foreign exchange, and reserve funds to exercise control over the supply of money and the total amount of loan funds so that it may put inflation under control, promote the coordinated development of the economy, and ensure the soundness of the economic structure. With that in mind, we must, in the course of the current year, bring about reforms and gradually improve the means and the system of readjustment. We must implement conscientiously the "Provisional Regulations for the Management of Banks in the People's Republic of China." County branches of the People's Bank should be set up without delay in accordance with the notification issued by the People's Bank and the Industrial and Commercial Bank. In the process of setting up branch banks, the quota for the total number of personnel and wages of the Industrial and Commercial Bank assigned to the People's Bank should be transferred to the People's Bank. The total number of personnel and the amount of wages which should be, but have not been, transferred by the People's Bank must be transferred to the Industrial and Commercial Bank except for that portion which may be retained according to stipulations. The amount short of the quota is to be dealt with by the head offices of the two banks. The financial institutions must be consolidated according to the stipulations of the "Provisional Regulations." Banks and other financial institutions may be entrusted to provide funds requiring compensation needed by the financial and tax departments and other responsible departments. A report must be submitted to the authorities and approval must be given for the establishment of separate financial institutions according to regulations. The local governments at various levels are not permitted to set up local banks or to divert funds supplied by banks and credit cooperatives. Those local banks which have already been set up are required to suspend operations and all funds transferred to them must be recalled. Should they refuse to abide by the ruling, credit loan funds for that regions are to be reduced. Individuals are not permitted to set up banks or other financial institutions or to engage in financial operations. Banks and other financial institutions which are already in business must suspend operations. Steps must be taken to put

an end to private financial operations. In regions where financial operations are frequently engaged in by private individuals, credit cooperatives are to be permitted to charge the highest interest rates for deposits and loans within the range set by the People's Bank. Trust and investment companies set up by specialized banks are to be regarded as independent legal persons with their own funds and independent accounting. They must open their accounts with the Central Bank and their operations must be put under the leadership and control of the People's Bank while their original jurisdiction is without exception to remain unchanged. If they have the ability to extend circulating fund loans, the various trust and investment companies may use some of the loans for meeting their own circulating fund needs after their investment projects have been put into operation. The Industrial and Commercial Bank is to be entrusted to manage the credit cooperatives it has set up in the cities.

9. /Speeding up the work of banking legislation and intensifying propaganda work on the banking legal system./ Efforts must promptly be made to formulate regulations for controlling the circulating funds of state enterprises, outside banking institutions, and external loans and guarantees. A start must be made to study and draw up measures for the management of notes, stocks, bonds, and financial leases so that banking operations may have some regulations to go by and laws to fall back on. Propaganda and education on the banking legal system must be strengthened so that the banks and the concerned units may have an understanding of banking laws and regulations and that they may check up on the enforcement of such laws and regulations on a regular basis.

10. /Strengthening the work of economic surveys and research into economic theories and getting a firm grasp of economic trends at home and abroad./ Banks in leadership positions at various levels must change their workstyle and leadership cadres must go down to the grassroot units to engage in surveys and research and to deal with problems on the spot. Banks at various levels must strengthen their economic information work and engage in the work of surveys, statistics, analysis and theoretical research. They must make reports to those in party and political leadership positions on a regular basis so as to gain their support. The board of directors of the People's Bank must undertake research into and analysis of the economic and banking situation at regular intervals, come forth with policy recommendations, and carry out banking policy decisions. They must take a more active part in international banking activities, develop their international banking operations, increase the range of contacts among the banks, undertake international banking and economic surveys, and research, collect, and transmit information and study changes in the exchange rate and problems relating to international revenues and expenditures as a basis for making domestic policy decisions. They must strengthen research into banking theories, seek unity in thinking, upgrade their understanding and take a lead in bringing about reforms.

To ensure success in the work of banking and the reform of the banking system, we must seek to establish socialist spiritual civilization within the banking system and bring about a basic improvement in the workstyle of the party and the banks. We must regard this as a major piece of work in 1986.

1. Leadership cadres in the People's Bank and the various specialized banks must take the lead in rectifying the workstyle of the party and the banks. The CPC Central Committee has determined that the departments of the central government should set an example for the entire nation, that the People's Bank should set an example for the entire banking system and that the leadership cadres in the banks at various levels should set an example for the vast number of staff workers in the banking system under their jurisdiction. Step by step, leadership cadres of the banks at various levels must play their role as pace setters by upgrading efficiency, devoting themselves to their studies, tightening discipline, and reinforcing the party spirit. In accordance with the plan put forward by the CPC Central Committee, the head office of the People's Bank has recently made a study of certain problems relating to the workstyle of the party and the banks and has solicited the opinions of its various branches. In line with the five stipulations relating to the rectification of the party workstyle issued by the CPC Central Committee, the party organization at the head office of the People's Bank is in the process of drawing up measures to be implemented to ensure an improvement in the workstyle of the party and the banks.

2. We must engage in the work of investigating and dealing with big and important cases. We must deal strictly with cases involving those who take advantage of their positions to enrich themselves, economic crimes, and serious cases of bureaucratic malpractice. We must concern ourselves with big and important cases and deal with them in a resolute manner.

3. We must upgrade the constructive and ideological education of the contingent of staff workers, direct our efforts toward the training of personnel, and heighten the quality of bank cadres in leadership positions. First, the banks at various levels must overhaul their contingent of staff workers and put into action the measures they have adopted. Second, advanced classes should be set up for the heads of branch banks so that they may come to know the policies and principles of banking, study the various problems relating to the reform of the banking system, and widen their field of vision. Third, we must ensure that the existing banking universities, colleges, and schools are properly operated, make the necessary preparations for the establishment of the Beijing Banking Institute, improve the in-service education of cadres, and update the standard of administration. Fourth, we must set up party schools and branch schools and improve the standard of theoretical, ideological, and policy awareness of the cadres.

In engaging in the work of party and ideological education, we must take note of the actual circumstances. We must have a firm grasp of the ideological trend and engage in the work of education with a definite purpose. We must improve the activities of party organizations, engage in criticism and self-criticism on a regular basis, and intensify investigation into party workstyle and discipline. We must engage in the work of acclaiming the achievements of the advanced units, commend those who uphold party principles, who abide by credit loan policies, who dare to turn down demands for loans, to withstand unhealthy tendencies and to wage a struggle against those who seek to achieve personal gains by asking for loans, and use the press and CHINA'S BANKING to extol their accomplishments. The labor unions and

the Communist Youth League must also play their part in fostering the professional ethics of staff workers, inculcating in them the spirit of service and contributing to the rectification of the workstyle of the party and the banks. Ideological education should be conducted with a view to the solution of actual problems. We must show concern over the sufferings of the masses, resolve the difficulties experienced by staff workers and deal properly with the political treatment and the amenities of life of retired elderly cadres so that they may live comfortably in their declining years.

4. The People's Bank must do a better job of auditing. In auditing and checking the accounts of the various banks and other financial institutions, the People's Bank must, on the one hand, ensure the implementation of the state's banking policy, regulations and plans and, on the other, help the various banks and financial institutions to improve the administration of their operations. The work of auditing also entails the rendering of assistance. A regular auditing procedure must be established. Different degrees of attention should be paid to the work of auditing the accounts of different banks and financial institutions. On top of checking credit loans, the People's Bank must also do a creditable job in giving its approval after checking, in spot checking, in summing up its findings, and in conducting itself in an exemplary manner from start to finish. Problems which have been discovered must be dealt with according to the circumstances. At the same time, the People's Bank must come up with preventive measures to plug up loopholes and ways to establish the necessary system. The work of auditing must be closely tied in with discipline inspection. There must be an exchange of information and work must be coordinated.

5. It is necessary to establish more discipline inspection organizations at various levels. Efforts should be made to have them established and staffed with capable cadres. To rectify the prevailing tendencies of the party and the banks, it is necessary to create a way of thinking and a workstyle that would pass muster under the strict inspection of the contingent of discipline inspection cadres.

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BANKING SYSTEM REFORM IN SEVENTH 5-YEAR PLAN

Chengdu CAIJING KEXUE [FINANCE AND ECONOMICS] in Chinese No 3, 30 May 86 pp 22-24

[Article by Wang Shaofei [3769 4801 7378]: "The Goal of Banking System Reform During the Seventh 5-Year Plan"]

[Text] In view of the present situation, the goal of reform of the banking system during the Seventh 5-Year Plan should include the following:

I. Relative Independence for the Central Bank in Macroeconomic Policymaking

The basic function of the Central Bank is to regulate currency in circulation according to actual conditions of economic development, so that the supply of money in the market constantly maintains an appropriate relationship to the supply of commodities, thereby stabilizing currency value and commodity prices and ensuring secure conditions for the people's economic activities.

The reform method is as follows: the Central Bank should be directly under the highest organ of state power, independently setting macroeconomic directives for monetary policy and regulating currency circulation. The advantages to this approach are:

1. Currency issue is adapted to the circulation of commodities, providing a stable currency supply for developing a commodity economy. Marx said: "Commodity circulation is a prerequisite for commodity production, and in commodity circulation commodities are manifested as currency, so that currency circulation is a prerequisite; commodities are divided into the duality of commodities and currency. This is the law of products being manifested as commodities." (Footnote 1) ("Collected Works of Marx and Engels," Vol 24, p 393) During the circulation process, the dualization of commodities and currency is further manifested as a dualization of commodity circulation and currency circulation. Whether currency circulation is regular has a determining effect on whether commodity circulation is regular. If currency circulation is unstable, and particularly when there is inflation, depreciation, and rising commodity prices, the circulation of commodities may be severely obstructed. Therefore, in a planned commodity economy, if the traditional approaches of the old system are clung to tenaciously, and the issue of currency is used as a means of raising credit funds, it will be very difficult to maintain stable currency circulation.

2. It facilitates the Central Bank's function of regulating currency circulation. In addition to being affected by economic development, political trends, and factors of human psychology, currency circulation is also influenced by the macroeconomic policymaking system. Without autonomy in macroeconomic policymaking, it is very difficult for the Central Bank to adopt the corresponding countermeasures to deal with changes in currency circulation, apply flexibly various economic measures to regulate the money supply in the market, and ensure normal currency circulation. Placing the Central Bank directly under the highest organ of state power will make it possible to reduce unnecessary administrative interference, increase flexibility in economic policymaking, and facilitate its function of regulating currency circulation.

3. It strengthens the Central Bank's sense of responsibility for regulating currency circulation and makes the bank responsible for the consequences of issuing currency. Placing the Central Bank directly under the highest organ of state power would be beneficial in establishing a responsibility system for macroeconomic policymaking and would have an important effect on strengthening macroeconomic control.

4. In carrying out policy independently, the Central Bank can form an interactive relationship with state plans and finance. This would help to restrain the arbitrary nature of macroeconomic policymaking and would play an important role in maintaining a basic balance between the overall demand and supply of society.

II. Operating Specialized Banks as Enterprises

There remains a divergence of views among theorists regarding this issue. Some comrades believe that specialized banks should become ordinary state-run enterprises, i.e., economic entities engaging in independent operation and taking responsibility for their own profits and losses; other comrades believe that all banks are state banks and can only be managed uniformly by the state. Of course, if we treat both the Central Bank and the specialized banks as organizations whose function is to manage finances and currency circulation for the state, we cannot make the specialized banks operate as enterprises, and it is unnecessary to set up two complete management structures, the Central Bank and the specialized banks. Experience has shown that a highly unified banking system is unable to meet the needs of developing a commodity economy. In September 1983 the State Council decided to set up separately the Central Bank and the specialized banks, thus differentiating ordinary financial enterprises from an organization whose function is to manage finances and currency circulation for the state and differentiating currency issue from bank credit loans. While providing microeconomic invigoration, this also strengthened macroeconomic controls and made it possible for the specialized banks to operate as enterprises. However, if we really want the specialized banks to operate as enterprises, we must also institute the following reforms:

1. The specialized banks must be made into state-run banks operated directly by the central government and freed from their subordinate relationship with the local governments; in keeping with the requirements of a commodity economy, open operation must be implemented, with flexible transfer of funds, to promote economic development.

2. All specialized banks should be stripped of their function of issuing currency; they must rely solely on their own funds and deposits to issue loans, seeking their own balance; moreover, they must have adequate reserves to ensure cash payments as needed. The Central Bank must not expand the specialized banks' cash supply beyond their own deposits and reserves by increasing currency issue.

3. The specialized banks must bear economic responsibility for losses caused by their inability to pay out cash as a result of unchecked expansion of loans or unrecovered loans; in extreme cases, credit insolvency must be declared and structural reorganization implemented.

The purpose of operating the specialized banks as enterprises is to thoroughly change the money supply system, to prevent the longstanding practice of enterprises eating out of the "communal rice pot" of bank credit, local governments eating out of the "communal rice pot" of the central government, and banks eating out of the "communal rice pot" of the currency issue, so that the specialized banks become true banks rather than merely money supply institutions.

III. Formulating and Implementing Credit Insolvency and Structural Reorganization

In addition to finance and credit eating out of the "communal rice pot" of currency issue, there is another important factor in the loss of control over credit in the last few years, and that is that the specialized banks bear no economic or legal responsibility for loans; this has caused the phenomenon of unbridled lending regardless of economic results to become very serious.

Insolvency is a product of the system of private ownership, and only on the basis of a private ownership system can true insolvency occur. What is meant by credit insolvency here is a type of responsibility system implemented on the basis of a system of public ownership, so that the banks shoulder the necessary responsibility for their own operations. When cash cannot be paid out and loans cannot be recovered because of unchecked, expanded lending so that the state suffers losses, and the bank's current assets are unable to cover its liabilities, credit insolvency must be declared and the responsible bank subjected to structural reorganization, with the necessary economic and administrative sanctions applied; in severe cases, legal responsibility must be borne. The leaders of a bank declaring credit insolvency and undergoing structural reorganization must be stripped of their status as functionaries in the banking system and ordered transferred.

IV. Establishing an Interactive Relationship Between the Central Bank and State Finance

The old banking system lumped together revenue and expenditure, bank credit and currency issue so that they ate out of the "communal rice pot." When financial deficits occurred, the banks automatically overdrew; or when a bank's credit funds were inadequate, currency was automatically issued. Whether it was finance squeezing the banks or the banks gouging finance, ultimately currency

was always issued to fill in the gap. In recent years, with the invigoration of the microeconomy, no macroeconomic control mechanism was established, so that the phenomenon of finance and credit eating out of the "communal rice pot" of currency issue intensified; in addition to financial overdrafts, the "communal rice pot" of bank credit rose to the level of individual households. This is one of the causes of the excessive scale of investment in fixed assets, loss of control over consumption funds, and rising commodity prices in recent years. In addition to unchecked competition which led to an ever escalating rate, one important factor giving rise to this phenomenon is the mutual inflation of finance and credit (financial overdrafts become fictitious bank deposits, and the fictitious deposits in turn become the source of funds for expanding credit). Banks should accept major responsibility for this, because only the banks can issue currency, creating excess distribution of national income.

Control of the macroeconomy first requires macrocontrol, with the capacity for self-control. When the macroeconomy itself is under control, the microeconomy will naturally be conditioned by macroeconomic mechanisms. If macroeconomic mechanisms lacking the capacity for self-control are used to condition the microeconomy, the result will be inflation in the macroeconomy following inflation in the microeconomy, any conditioning effect being impossible to achieve. Macroeconomic control mechanisms are produced out of the interactive mechanisms of economic relationships; only by establishing this type of interactive economic mechanism can the macroeconomy achieve the capacity for self-control. Establishing an interactive relationship between the Central Bank and state finance is an important measure for establishing a macroeconomic control mechanism. This would consist of the following:

First, the Central Bank must be made to impose restrictions on revenue and expenditure. Revenue and expenditure are major factors affecting currency issue. To stabilize the value of currency and ensure normal currency circulation, the Central Bank must utilize currency policy to control revenue and expenditure and to keep financial deficits from affecting bank credit and creating excess currency issue. The way to achieve control is: first, to handle the treasury's revenue and expenditure in strict accordance with the principle of revenue first and expenditure second, halting all expenditure if there is no revenue; second, for budget deficits at the beginning of the year, a loan must be requested from the Central Bank, with prior approval from the National People's Congress or its Standing Committee, and interest charged on the loan; third, deficits occurring during budget implementation are not to be dealt with through overdrafts, and when it is necessary to seek a loan, approval must be obtained from the appropriate organ of power and high interest charged. The advantage to this approach is that revenue and expenditure are placed under the control of currency issue to prevent financial issue.

Second, the financial authorities must restrict bank currency issues to prevent the Central Bank from issuing excess currency which causes credit and currency inflation, leading to excess distribution of national income and commodity price hikes, and creating difficulties for social reproduction. The means of control are: first, levying a tax on currency issues or excess issues. For bank currency issues, an annual limit must be set according to the actual

requirements of economic growth, to be made law by approval of the National People's Congress; issues exceeding the limit must be subjected to an 80- to 90-percent excess issue tax. When the market money supply is excessive, a full issue tax may also be levied to reduce the market money supply. Second, a credit operations tax or a special income tax should be levied on credit inflation caused by fictitious bank deposits to encourage the banks to cut back on the scale of their credit and prevent credit inflation.

In short, only by creating an interactive relationship between the Central Bank's currency issue and revenue and expenditure will it be possible to create a macroeconomic control mechanism. This is an important issue that must be resolved in reforming the financial system.

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CSO: 4006/1174

SHIPBUILDING INDUSTRY DOUBLES OVERSEAS SALES

HK230548 Beijing CHINA DAILY in English 23 Aug 86 p 1

[By staff reporter Wang Ganxgwxbbh

[Text] China's shipbuilders doubled the pace of their overseas sales in the first half of this year.

An official from the China Shipbuilding Trading Corporation Ltd told CHINA DAILY that in the first 6 months of this year, contracts valued at $130 million were signed to build 13 ocean-going vessels for foreign buyers. They equal the number of foreign ships built in this country in all of 1985.

These 13 ships will be built in five shipyards in the coastal cities of Dalian and Shanghai. They include a 118,000-ton oil tanker, the largest ship under construction in China, four 18,000-ton multi-purpose cargo vessels, three 12,600-ton multi-purpose container ships and five 2,700-ton cargo vessels.

The official said that all will be equipped with China-made engines with horsepower rating ranging from 2,300 to 8,858. The enginerooms of the tanker, the container ships and multi-purpose vessels will have automatic control systems.

"This shows that part of China's shipbuilding technology has reached advanced world levels," he noted.

China will also be responsible for the design of all the vessels except the tanker and the 2,700-ton ships.

Since it started building oceangoing ships for foreign buyers in the late 1970's, China has received contracts for 157 ships with a total capacity of 1.59 million tons.

Meanwhile, the country's ship-dismantling industry has also witnessed a boom.

According to the Ship Repair Department of the China State Shipbuilding Corporation, the number of enterprises scrapping ships had increased to 120 by the end of last June with an annual dismantling capacity of more than 2 million tons.

Almost all these enterprises are located along the coast or the banks of inland waterways, an official from the department said.

"Including the 3-million-ton capacity of Taiwan," he noted, "China has become the world's Number One ship dismantler."

It is long-term government policy to develop the industry as a source of raw material badly needed by small and medium-sized iron and steel producers.

During the past 3 years, China has obtained 3 million tons of steel and a considerable quantity of nonferrous metals by dismantling ships bought on the international markets.

However, pollution caused by the industry, which mainly comprises small enterprises, has aroused great concern among local people and environmental protection officials.

From 1983 to 1985, the state spent nearly 20 million yuan (about $5.4 million) to install pollution control facilities in these enterprises, the official said. They included oil-water separators, wastewater processing pools and oil fences.

The official also disclosed that the State Environmental Protection Bureau is working on management regulations for the industry to ensure its healthy development.

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CSO: 4020/428

BRIEFS

MOTOR VEHICLE PLANTS INCORPORATE--Beijing, August 29 (XINHUA)--The number two motor vehicle plant, China's biggest, and the Nanjing motor vehicle plant, the third biggest, have united to form an automotive production group. Officials of the China Automotive Industry Corporation today described the incorporation as a "big breakthrough" in developing economic cooperation among large enterprises. They said that cooperation and specialization of individual plants is the only way to develop China's automobile industry. The number two plant in Shiyan, Hubei Province, now has an annual production capacity of 100,000 "dongfeng" five-ton trucks, with an expansion project now under construction that can add an annual production capacity of 10,000 eight-ton trucks. The Nanjing plant in Jiangsu Province can produce 25,000 "Yuejin" light trucks a year. It is expected to increase this to an annual production capacity of 60,000 trucks. The production group will be an independent economic entity responsible for its profits and losses and self-development, an official from the corporation told XINHUA. The two motor vehicle plants have already established economic cooperation with some 100 industrial enterprises. It intends to attract more enterprises in automotive production, then turn itself into a limited company. The group will produce trucks for both home and international markets. [Text] [Beijing XINHUA in English 1348 GMT 29 Aug 86 OW] /8918

CSO: 4020/428

YE RUTANG REVIEWS URBAN CONSTRUCTION DEVELOPMENT

OW010138 Beijing XINHUA in English 0129 GMT 1 Sep 86

[Text] Tianjin, September 1 (XINHUA)--China's urban construction underwent rapid development in the years 1980-85, said Ye Rutang, minister of urgan and rural construction and environmental protection.

"Urban construction investment in the past 5 years came to 58.25 percent of the total since 1952," said Ye.

Ye said that most people have stopped regarding urban construction as "unproductive construction," and that it has received its proper emphasis in recent economic reforms.

The minister made these remarks at the first annual conference of China's Urban Studies Association now in session in China's third-largest city, Tianjin.

He added that "98 percent of cities and 85 percent of counties in China have drawn up comprehensive plans for urban construction and management," said the minister.

According to the conference, the housing shortage has long been a problem troubling big cities, but every Chinese now has 5.2 sq m of housing space, compared to 3.9 sq m 5 years ago. The completed floor space in the past 5 years amounts to 47.6 percent of the total since the founding of new China in 1979.

"in order to alleviate the serious housing shortage," said the minister, "enterprises provided 60 percent of the total investment for new residences in the past 5-year period." He added, "factory employees are now moving into new homes provided by their factories."

"As people are earning more in recent years, some can afford to buy their own houses," he pointed out.

According to the minister, the state has earned 1.04 billion yuan (U.S. $281 million) from selling houses to individuals in the past couple of years.

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CSO: 4020/428

BRIEFS

HEILONGJIANG RAIL LINK--Beijing, 6 Aug (XINHUA)--Construction has begun on a 303-kilometer railway between Beian and Heihe in Heilongjiang Province, the longest local railway in China. Local governments provided the bulk of the 130 million yuan investment in the railway, which is expected to be put to traffic in 1989. [Text] [Beijing XINHUA in English 0733 GMT 6 Aug 86 OW] /8918

CSO: 4020/428

PREFERENTIAL POLICIES BETWEEN HUNAN, SHANGHAI ANNOUNCED

Shanghai JIEFANG RIBAO in Chinese 11 Jun 86 p 1

[Article by reporter Fan Tianyi [2868 1131 4135]: "Governor Xiong Qingquan Announces on Behalf of Provincial Government, Hunan's Adoption of Preferential Policy Toward Shanghai in Eight Areas; Hopes for Improvement of Lateral Economic Integration Between Hunan and Shanghai in Five Areas"]

[Text] In an interview yesterday with a JIEFANG RIBAO reporter, Hunan Governor Xiong Qingquan [3574 3237 3123] announced on behalf of the provincial government, eight preferential policies for the development of economic lateral integration between Hunan and Shanghai. He said, Shanghai possesses the technology, equipment, and management techniques that Hunan lacks, while Hunan has the natural resources and agricultural byproducts that Shanghai needs. Future prospects are great for maximizing advantages, minimizing disadvantages, and mutual cooperation to enhance a long-term cooperative relationship between Hunan and Shanghai.

The eight preferential policies announced by the Hunan government are: 1) Any enterprise entering into a joint effort to develop natural resources in Hunan shall retain profit in proportion to the amount invested. Hunan can give out 10 percent or even more of profits involved; 2) loans taken to establish joint enterprises in Hunan can be repaid before paying taxes on newly increased profits; first, loans are to be paid, then profits distributed, and finally taxes paid; 3) the scope of capital construction and remodeling projects undertaken by joint enterprises in Hunan and the part of investment provided by Shanghai is to be considered as Hunan's while output value shall be Shanghai's; 4) Shanghai is welcome to engage in technological, trademark, and patent shareholding in Hunan; profits are to be distributed according to value; 5) revenue taxes can be waived for 3 to 5 years on joint projects undertaken in Hunan's old, minority, border, and poor regions; 6) local and land taxes can be reduced or waived on any project conducted jointly with Hunan; 7) natural resources and raw materials exploited jointly shall first be returned to Shanghai in preferential proportions; 8) preferential treatment shall be accorded S&T and management personnel and technical workers sent to Hunan to support construction, who will not have to pay personal income tax.

Hunan Province produces grain, hemp, edible oils, sugarcane, pigs, Hunan lotuses, fish, and other agricultural byproducts and local specialty products

in abundance. It has more than 5,000 species of plants and is a major production center in south China for lumber. The province's mineral resources are extremely abundant; 108 different mineral resources have been discovered. Its reserves of tungsten, antimony, and barite are first in the nation, while its lead, zinc, tin, manganese, molybdenum, gold, kaolinite, and diamonds occupy important positions nationwide, which has given Hunan the titles "land of ferrous metals" and "land of nonmetallic minerals."

In his analysis of Hunan's and Shanghai's advantages, Xiong Qingquan said that Hunan's advantage in natural resources is not necessarily an economic one, because if resources lie buried underground and are not exploited and utilized, they can never be transformed into wealth. If Shanghai is to continue to develop light industry, the food-processing, textiles, electronics, metallurgy, and construction industries, agricultural byproducts, ferrous metals and nonmetallic minerals will be necessary. Hunan and Shanghai's cooperative efforts to maximize advantages, minimize disadvantages for mutual, equal benefit will surely have an important, stimulating effect on economic development of both.

In reviewing cooperation between Hunan and Shanghai since 1984, Xiong Qingquan said that 13 prefectures and cities in Hunan have signed contracts with 11 districts and 2 counties of Shanghai for more than 400 projects, of which 151 have already brought about economic returns, for a newly increased value last year of 105.25 million yuan, realizing an increase in profits of more than 18 million yuan. After integration, profits for the Shaoshan Television Factory which operated at a loss 11 years in a row and the Shanghai No 1 Television Factory increased last year by 5.15 million yuan; after initiating technical cooperation, the Xiangtan Woolen Knitwear Factory and the Shanghai No 1 Woolen Knitwear Factory earned a profit equivalent to all of last year's output value. At the same time, Hunan Province also provided Shanghai with urgently needed manganese ore, paper, rare-earth metals and other raw materials.

Xiong Qingquan said that lateral economic integration between Hunan and Shanghai has just begun to unfold, and the future prospects are vast. From now on, Hunan shall enhance coordination with Shanghai in five areas: 1) Encouraging Shanghai to initiate integrated mineral exploitation in Hunan via joint or cooperative ventures; 2) cooperation with Shanghai in the intensified processing of export products; 3) combining to develop new, high-quality and specialty products; 4) combining to tackle difficult S&T problems such as those relating to calculators and new materials; 5) combining to develop transportation on the Changjiang and improve the exchange of products and materials between Hunan and Shanghai. In short, in the development of natural resources and their integrated utilization involved in the cooperation between Hunan and Shanghai, Hunan is willing to function as Shanghai's backup support, and stand behind it in industrial production. In expanding foreign trade and increasing foreign exchange through exporting, Hunan will assist Shanghai, and in the promotion and utilization of science and technology, the province shall be Shanghai's market.

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CSO: 4006/1152

USE OF OVERALL COMPENSATION IN SINO-SOVIET BORDER TRADE

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 2, 1986 pp 30-34

[Article by Zhu Guang [2612 0342]: "Overall Compensation in Sino-Soviet Border Trade"]

[Text] Opening up to the outside world and reviving the domestic economy are the two major aspects of China's economic reform and revitalization. Opening up to the outside world and revitalizing the domestic economy will open up both the domestic and foreign markets and utilize domestic and foreign resources in service of the establishment of the four modernizations. From the point of view of Heilongjiang, an important link in utilizing the open door policy, developing foreign trade and introducing foreign capital to promote its own economic growth is to make use of the more than 3,000 km border with the USSR and to strive to develop border trade with the USSR. It is important to realize the strategic idea of "Having the economic development of Shenzhen in the South and Heilongjiang in the North take off and soar side by side" proposed by Comrade Hu Yaobang during his 1984 inspection of Heilongjiang. We must fully utilize all the exceptional advantages of the favorable conditions in Heilongjiang and the advantageous opportunities of international economic and technological cooperation, develop border trade and bring in the technological equipment developed nations and revive the economy of Heilongjiang.

I. Favorable Conditions in Sino-Soviet Border Trade

During his 1984 inspection of Heilongjiang, Comrade Hu Yaobang proposed the strategic idea of "Having the economic development of Shenzhen in the South and Heilongjiang in the North take off and soar side by side" that is, Heilongjiang must fully utilize favorable geographical conditions and advantageous opportunities in current international economic and technological cooperation, earnestly implement the open door policy and strive to develop Sino-Soviet border trade. The prerequisites of "timeliness, favorable geographical position and popular support" already exist for developing border trade with the USSR. "Timeliness" refers to the fact that since the 3d Plenum of the 11th CPC Central Committee decided on the open door policy, earlier obstacles which closed the doors to economic growth have been removed. The development of border trade is already the general trend. Internationally, due to the international division of labor and the growth of the world market, contacts and dependency between peoples of all nations has increased. "Favorable

geographical position" refers to the 3,042 km border between Heilongjiang and the USSR which facilitates transportation. The Suifenhe border station on the Chinese Binsui Railway is only 20.6 km from the Soviet border station and 590 km from Harbin. It is connected to the Soviet Far Eastern Railway. The Manzhou border station on the Binzhou Railway is only 18 km from the Soviet border station and is connected to the Soviet Chita Railway. The waterway via the Songhua Jiang enters Heilongjiang and the navigable area of the Niaosuli Jiang is very broad. The distance between China's Heihe harbor and the Soviet city of Hailanpao is only 1.5 km and the distance between Tongjiang harbor and the largest city in the Soviet Far East, Khabarovsk, is only 270 km. Besides railways and waterways, Suifenhe and Manzhou have international highways which may be used for transporting goods. "Popular support" refers to the wish of both sides to develop economic trade relations. Along with the gradual restoration and improvement of relations between the two countries, the wish on both sides for developing border trade has grown stronger. As for the peoples of the two countries, the people of the Soviet Far East are all used to using light industry products and foodstuffs from China while there is quite an eager demand among Chinese users and consumers for Soviet imports. Moreover, as far as the commodity structure in Sino-Soviet border trade is concerned, the Soviets need many of our commodities and we need many of their commodities. Therefore, there is a material basis for Sino-Soviet border trade.

One can see from the above analysis that the time and conditions for developing border trade between Heilongjiang and the USSR are ripe. This is the general trend and the will of the people. Thus, border trade between Heilongjiang and the USSR should and must increase greatly. Above we discussed the advantages of developing border trade. However, if we wish to accelerate the growth of border trade it is also necessary to analyze the unfavorable conditions. Only in this way is it possible to squarely face the contradictions and then resolve them. The major unfavorable conditions in Sino-Soviet border trade are as follows:

1. Political problems: For example, prior to the normalization of Sino-Soviet relations, the development of border trade between the two countries lacked stable and strong political security.

2. Problems in the Soviet control system: The Soviet foreign trade control system is highly centralized and has a state monopolistic organizational form. In the 16 April 1982 exchange document on Sino-Soviet border trade of the Soviet and Chinese vice ministers of foreign trade, clear provisions were made concerning the trade offices, the scope of commodity trade, the form of trade and shipping ports. The trade offices of both parties only carry out actual operations according to the provision of the exchange document. At present, China has given localities even greater powers to engage in foreign trade in order to revive the domestic economy and implement the open door policy. Nevertheless, the USSR has remained steadfast, they control things to an excessive degree and this has limited, to a certain extent, the expansion of trade between the two parties.

3. Problems in the market. Heilongjiang only has the "Far Eastern Foreign Trading Co." for border trade with the USSR. The market is the Soviet Far

Eastern market. The area of this part of the USSR is as much as 12.77 million square km which is greater than the land area of China. However, the population of this area is only 30 million, less than the population of Heilongjiang. Moreover, among the various nations of the world, the USSR is at the level of intermediate development and the per capita income is also at the middle level. We know that the size of a market's capacity is determined by the population and economic income. Thus, even though the land area of the Soviet Far East is great, the market capacity is limited and competition in this market is fierce. Besides Heilongjiang and the Nei Menggol Autonomous Region, competitors for this market also include Japan and Korea. Every year these two countries put a large volume of consumer goods into this market; now Australia and Singapore have also begun to enter this market.

4. Problems with products and pricing: More specifically, the quality of grains, oils, and foodstuffs is fine but there are shortcomings in packaging. For instance, improvements must be made in the security of freight packaging and the packaging of goods for sale. Disparities exist between the quality and types of textiles and light industry goods and the needs of the international market. In terms of price, primarily over the past few years the production costs of exports have risen as have transportation expenses and taxes so that the total costs of imports and exports have increased. On the other hand, the prices of exports have continued to fall due to fierce competition on the international market. This has weakened the competitive ability of our exports and caused a decrease in the economic benefits of border trade.

The aforementioned problems are the four major issues in Sino-Soviet border trade. Political relations between the two nations and the Soviet control system are macroscopic matters and, as far as Heilongjiang is concerned, they are beyond our control. Thus, this article will not touch upon these issues. The market, products, and prices are microscopic issues and, as far as Heilongjiang is concerned, they can be controlled. Below I will discuss using overall compensation to resolve problems having to do with the market, products, and prices in Sino-Soviet border trade so as to increase the competitive ability of Chinese commodities and to expand the number of Chinese commodities on the Soviet Far Eastern market.

II. The Idea of Overall Compensation in Border Trade Between Heilongjiang and the USSR

The prerequesite to increasing the number of Chinese commodities on the Soviet Far Eastern market is to solve problems in the quality, design and price of exports. The key to solving these problems lies in improving and updating products and improving their grade, quality and variety while also increasing labor productivity. It is necessary to reduce the unit prices of goods. However, improving exports and increasing labor productivity are difficult to do given the current technological level in Heilongjiang. I believe that the best way to resolve these problems is to practice overall compensation. Overall compensation means integrating border trade and compensation trade so that they complement each other, resulting in an expansion of border trade and the utilization of foreign capital. It may also play a role in the technological transformation of enterprises.

Border trade is a form of barter trade. Barter trade refers to commodity exchange between two countries without currency. For example, one country may use one or more goods for exchange with another country according to specific methods for calculating value. This type of trade integrates imports and exports and the total amount of money from exchanged goods is equivalent so that there is no need for payments of foreign exchange. It is beneficial for the expansion of trade. Still, this type of trade has substantial limitations. It requires a twofold coincidence, that is, country B must have a surplus of what country A needs while country A must be able to supply what country B needs. Moreover, it can only be successful if supply and demand on both sides match exactly. These two conditions do exist for border trade between Heilongjiang and the USSR but I believe that this only demonstrates that there is a material basis for Sino-Soviet border trade, not that barter trade between the two sides can expand without impediments. If we leave aside macroscopic factors and concentrate solely on microscopic factors, the major impediments in Sino-Soviet border trade are the market and products. If we are to consolidate our position in this fierce competition and seek growth, the key is to provide good and cheap commodities to attract the other side. But, if we are limited to barter trade itself to develop border trade and then to promote ecnomic growth, clearly, it will not be adequate. Therefore, it is necessary to integrate the use of compensation trade and barter trade to resolve this problem.

Compensation trade refers to one party exporting commodities to another party and, at the same time, assuming the obligation of purchasing a specific number of the other party's commodities. It refers to the purchase on the basis of credit for foreign machines, equipment, raw materials, production technology, and other manufactured goods or labor services. Once construction is completed and production is underway, the goods produced, the agreed upon commodities or labor services are used to pay off loans. There are two forms of compensation trade: product resale and repurchase. In product resale those who import equipment use this equipment to manufacture goods which are then used to pay the cost of the imported equipment. In product repurchase those who import equipment pay the price of imported equipment not by using the goods directly produced by this imported equipment but rather by using other commodities agreed upon by both parties. We primarily use compensation trade to resolve problems in the improvement and updating of China's exports and in increasing labor productivity. Since it is currently difficult to obtain the money and technological equipment within China that is needed to resolve these problems, we must turn to the foreign market to satisfy these requirements. Our most ideal partner for carrying out compensation trade is Japan. Compensation trade is a form of trade established on the basis of credit, and at the same time, it is also a kind of direct investment. It is a means of utilizing foreign capital that developing nations are currently quite willing to adopt. Adopting this means of trade (investment) may both resolve the source of capital and make it possible to obtain advanced technology and equipment. It may increase the level of technology and enable us to study management experiences, cultivate industrial discipline, and manage problems in the promotion of sales in the market. We may attain results on all sides. However, there are some fatal weaknesses in compensation trade, namely, problems in product resale. Whether in repurchase or resale, the party offering credit or equipment must

in the end accept the other party's products as repayment. Yet, the international market is currently a buyer's market. If the party offering equipment and credit does not use the resold products which they have accepted for their consumption but rather transfers and sells them, then selling becomes a very difficult task.

From the above analysis it can be seen that there are both pros and cons to barter trade and compensation trade. If we integrate both forms and practice overall compensation even though both parties in compensation trade join up with a third party to undertake the sale of products, then the superiority of the two above-mentioned forms of trade can be given free rein and the disadvantages of each form can be overcome and good comprehensive results obtained.

More specifically, overall compensation in Sino-Soviet border trade means: Heilongjiang will use compensation trade to bring in advanced technology, equipment, and capital from Japan to transform Heilongjiang's existing light, textile, and food industries; and to produce high-quality and reasonably priced goods that are needed in the Soviet Far Eastern market. These products will then be used in barter trade in exchange for Soviet resource products such as lumber, oil, and other products that we need. Some of these products will be used to repay Japanese debts or we will use technology and equipment introduced by compensation trade with Japan to process resources or raw materials imported through barter trade with the USSR and then use the processed goods to repay the loan in compensation trade with the Japanese. This overall compensation may achieve twofold results: first, it utilizes funds and technology from Japan to carry out technological transformation in Heilongjiang's enterprises which will increase the economic benefits of these enterprises and high-quality, cheap, and diverse products will be produced; second, exporting these good and cheap products to the Soviet Far Eastern market will expand our export volume and we can exchange them for what we need at home and use them to repay Japanese loans.

III. Feasibility Analysis of Overall Compensation in Border Trade Between Heilongjiang and the USSR

Above I have explained the theoretical concept behind overall compensation in border trade between Heilongjiang and the USSR but is this idea feasible in reality?

I believe that this idea is feasible because it is based on reality. This reality involves the mutual economic needs of Heilongjiang, the Soviet Far East and Japan, as well as their cooperative ties.

First we must analyze conditions in Heilongjiang which are the key links in overall compensation. In the first section we discussed some conditions in Heilongjiang; here we will discuss the economic conditions. Heilongjiang is rich in natural resources, furthermore, industries, oil, coal, farming, animal husbandry and forestry in Heilongjiang all occupy important positions in China's economic development. Heilongjiang consists of 460,000 square km of land and there are 130 million mu of cultivated land, the highest in the country. In the output of soybeans, wheat, beets, flax, and potatoes it ranks

first in the nation. Heilongjiang has 100,030,000 mu of forests and the lumber reserves amount to 1.62 billion cubic meters, the largest in the nation. Oil reserves in Heilongjiang amount to 3.5 billion tons or 42 percent of proven recoverable reserves in China. There are 11 billion tons of coal reserves, fourth largest in the country. The industrial base in Heilongjiang is solid, it is diverse and it has formed a system of its own. Of the 156 projects introduced by the USSR in the 1950's in China, 22 are in Heilongjiang. Moreover, after several years of readjusting the industrial structure, Heilongjiang's light, textile, and food industries have grown rapidly. Here we can see that the industrial structure in Heilongjiang both corresponds to Soviet exports and makes it easier to absorb funds and equipment from Japan. The problem lies in how we make use of Heilongjiang's superiority and fully utilize foreign markets and resources so that border trade improves and promotes the growth of Heilongjiang's economy.

Let's take another look at conditions in Japan. Japan is an island nation. It has few natural resources yet Japan has now become a superpower in the world economy. It has top-grade industries and technology. Furthermore, since the 1970's Japan has been one of the largest capital exporting countries in the world. It has invested primarily in the Asian-Pacific Region. Between 1970 and 1979 Japan's direct investments in the Asian-Pacific Region increased more than eightfold, the total amount has already reached $18.8 billion. In 1981, 33.5 percent of all investments in Asia were made by Japan, the largest amount by any one country. Japan is a country founded on trade, it must seek outlets for its industrial products and capital while also seeking sources for raw materials. At the present time in particular, protectionism is flourishing in international trade. The Japanese export offensive has been contained to a certain extent, so Japan must seek further trade opportunities. Thus, the Heilongjiang market is very attractive to Japan.

Finally, let's take another look at the situation in the Soviet Far East. Since the 1960's, natural resources in Soviet Europe have steadily been exhausted so that they have had to put much manpower, material resources, and capital into exploiting the natural resources of the Far East area. Currently the oil output of the eastern USSR makes up over one-half the total oil output of the entire country; natural gas makes up approximately 40 percent; and timber, coal, ferrous metals, nonferrous metals, chemical products, and heavy-duty machines make up a large proportion of the total output. Along with the continuing exploitation of natural resources, the export volume of the eastern region has soared from 7 percent in 1950 to over 40 percent in 1978. As for industry, for many years the eastern USSR has not rated light and textile industries as part of their keypoint development in terms of arrangements and planning of production forces. In the various large cities of the Soviet East there are no high-quality, large modernized clothing plants and shoe factories. Other plants that manufacture industrial products for daily use, such as porcelain, textiles, pens, flashlights, and brushes, are even scarcer. At present, the eastern region still cannot even manufacture thermos flasks, radio receivers, and other such commodities. In agriculture, due to the influence of factors such as inadequate climate and agricultural labor forces, agriculture and animal husbandry in most of the eastern region (except for the southern part of western Siberia) are still undeveloped. The average

utilization rate of arable land in the three economic areas is about 41 percent. The per capita grain yield is about 400 to 500 kilos, only one-half of the average yield of the entire USSR. At present, although the eastern region is striving to promote agricultural integration, except for being self-sufficient in eggs, they are far from able to meet the demand for other agricultural and animal products, such as fruit, meat and meat products, milk and dairy products, vegetables, and oils. The demand in the Soviet Far East for light textile goods, grains, oils, and foodstuffs is a long-term one.

From the above analysis of the basic economic conditions and industrial structure of Heilongjiang, Japan and the Soviet Far East it can be seen that Heilongjiang has superior industries and products, such as diverse industries, many light industrial products, textiles, grains, oils, foodstuffs, and production processing capabilities. These industries and products are scarce in the Soviet Far East. The Soviet Far East, however, does have some superior industries and products, such as energy resources, raw materials, timber, cement, etc. Our domestic supply of these materials cannot meet the demand (here we are taking into account the fact that Heilongjiang's resource products are used primarily to satisfy the demands of the whole country, consequently, these products are scarce in Heilongjiang). In contrast with Japan, Heilongjiang has superior industries and products, such as resource products, grains, oils, and foodstuffs, which are quite scarce in Japan. Japan however has superior technology, equipment, capital, and management experience, which are weak areas in China. The industrial structure of Heilongjiang, the Soviet Far East, and Japan may implement the typical models of international production specialization, an international division of labor and international trade. Thus, once the three countries have implemented international division of labor and international trade, each may export their superior products and take in relatively scarce products so as to conserve social labor and increase the total number of products and the number of products enjoyed by consumers in each country. We should note here that in compensation trade between Heilongjiang and Japan, our superiority in resources is transformed through Soviet border trade. Thus, although Heilongjiang is extremely rich in natural resources, due to the overall balance in economic development within China, the natural resources of Heilongjiang must go toward meeting domestic demand. However, through Sino-Soviet border trade we still may obtain these resource products, therefore, we still have superiority in resources in compensation trade between Heilongjiang and Japan.

The following conclusions may be drawn through the feasibility analysis of overall compensation in border trade between Heilongjiang and the USSR: mutual dependence and mutual cooperative ties in economic trade among Heilongjiang, the Soviet Far East, and Japan are incontestable. Moreover, each country has great superiority in the production of numerous goods. In order to give maximum free rein to the superiority of these products it is necessary to continue expanding trade among the three countries. Overall compensation is currently one of the feasible forms of expanding trade among them. Below are some of my opinions on the concrete methods of overall compensation and on several issues that must be considered:

1. When utilizing compensation trade to introduce Japanese technology and equipment, it is necessary to base this on actual conditions, the level of

technology, and the support capacity in Heilongjiang. Since compensation trade chiefly brings in medium and small projects, it is necessary to selectively use them for equipping and transforming light industrial, textile, and food-processing enterprises. In this way, these enterprises will become the backbone of the export system in border trade between Heilongjiang and the USSR.

2. Concerning the repayment of compensation loans, it is best to use raw materials imported from Soviet border trade (or local raw materials) and to utilize imported equipment to process manufactured goods and then use them to compensate for the sum used for importing the equipment. Take, for example, the import of fish from the USSR (cod, walleye pollack, etc.). We use imported Japanese fish-processing technology and equipment to process the fish and sell back the resulting fish roe, fish fillets, and fish paste to repay the equipment loan. At the same time, we may consider using some Soviet resource products imported through border trade to compensate for the sum used for importing Japanese equipment.

3. Imported technology must at the very least reach the level of the mid-70's. In this way it will be advantageous to the technological transformation of our medium and small enterprises, to the adoption of new technology and to the improvement of product quality and labor productivity. Since our repayment products are all needed by Japan, particularly the resource products, we can take the initiative in negotiations. We may either lower product prices for the other party or we can require that the equipment provided by the other party definitely be of the latest technology.

4. Heilongjiang should consider establishing an export production system for Soviet border trade. This system should first of all arrange production according to the demands of the Soviet Far Eastern market. The key to this system should be the currently existing export production base and the use of foreign capital to carry out the technological transformation of enterprises. There should be a continuous process from imports and raw material sources to production, processing, transportation and exporting so that border trade between Heilongjiang and the USSR develops into a system and becomes systematized. The Heilongjiang government might consider giving preference to enterprises in this system by facilitating loans, making them exempt from the business tax on exports, and giving priority to arranging transportation of their imports and exports.

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QINGDAO, YANTAI READY FOR FOREIGN INVESTMENT

OW120330 Beijing XINHUA in English 0739 GMT 12 Sep 86

[Text] Beijing, 12 September (XINHUA)--After a year of construction the economic development zones in two Chinese coastal cities are now open to foreign business, the PEOPLE'S DAILY reported today.

The cities of Qingdao and Yantai in Shandong province are two of 14 cities on the coast that were designated as open to foreign investment by the state in 1984. The two cities have spent a total of 187 million yuan on developing an infrastructure for foreign investment companies.

So far, water, gas and electrical facilities have all been completed in the industrial parks, each with an area of one square kilometer.

In Yantai, construction of four factory buildings, a warehouse, two residential buildings and a number of service facilities has been completed.

In Qingdao, a pair of six storey factory buildings, a five storey warehouse and living quarters and service facilities have been opened.

About 1,300 business people from 20 countries and Hong Kong have visited the two economic development zones and more than 100 contracts, agreements and letters of intent have been signed.

The foreign investors came from countries such as Britain, Canada, the Federal Republic of German, France, Japan, Singapore, and the United States.

Two Sino-foreign joint ventures are now in operation in the Yantai zone and another six will go into operation soon. The eight projects involve a total investment of 139 million yuan. Four joint ventures will be operational in the Qingdao zone later this year.

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CSO: 4020/437

PATENTED INVENTIONS TO BE SOLD OVERSEAS

HK130530 Hong Kong HONG KONG STANDARD Business Section in English 13 Sep 86 p 1

[By Eva To]

[Text] In a bid to boost China's foreign exchange income, the Bank of China--the country's forex specialized bank--plans to set up a joint venture with Chinese enterprises to sell the country's patented inventions overseas.

Scheduled to be registered next month in Hong Kong, the joint venture is the brainchild of a number of super-grade Chinese entities, including the Bank of China group, China Insurance group, China Resources group and China Patent Agent (HK) Ltd.

Although the actual capital level of the venture is still to be established, first deputy chairman and general manager of China Patent Agent, Mr Liu Gushu, emphasised that large financial resources are available and it is now a matter of finalising the shareholding spread between the potential partners.

Pointing out that China Patent Agent is expected to have the greatest equity interest in the venture, Mr Liu said it was not part of the plan to invite any foreign partners to the project. He said the urgent task of such a coordinated effort is to register, publicise and promote China's patents overseas--as a great number of such inventions are being wasted at the moment because individual inventors generally do not have the financial capacity and time to seek out such endeavours on their own.

"As registering patents is a costly and time-consuming procedure, it will be quite impossible for inventors in China to do that on an individual basis," he said. "It may easily take a few years to get any application processed."

Approximately 80 applications of this nature have already been sought in different countries world-wide through the China Patent Agent since its establishment in March, 1984.

But Mr Liu said no approval has been granted so far, though close to U.S.$500,000 has been spent in this connection. He said, however, that all such efforts will be paid off when successful applicants bring in foreign exchange income for the individual concerns, as well as for the country.

On the China front, he said a change in the pattern of foreign patent applications in China recently--among the 8,000-plus applications so far--the United States overtook Japan this year as the country with the largest number of patent applications in the country.

Speaking after the formal opening of the Hong Kong branch of Egli International Intellectual Property Consultants, Mr Liu highlighted the significance of the move as Egli International is the first European entity in the territory committed to promoting the interchange of intellectual properties between China and the rest of the world.

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CSO: 4020/437

BRIEFS

CHEMICAL PRODUCTS EXPORT INCREASE--Beijing, 13 September (XINHUA)--Exports of chemical products from China jumped sharply this year, according to the overseas edition to today's PEOPLE'S DAILY". The Chemical Import and Export Company lead the way among Chinese chemical producers, exporting products worth 325 million U.S. dollars in the first half of this year. This is a 48.5 percent increase over the same period last year, said the paper. China mainly exported three categories of products: rubber products including tires and shoes, inorganic salt products and chemical auxiliaries which include dyestuffs. The newspaper said to further develop the chemical industry, China has received a World Bank loan worth 97 million U.S. dollars. Direct investment from foreign businesses is also welcomed, the paper quoted an official of the Chemical Industry Ministry as saying. One joint venture project--a chemical fertilizer plant--is now under construction and will produce 480,000 tons of fertilizer upon the completion in 1988. This project, the first for China's chemical industry, involves three countries: Tunisia, Kuwait, and China. China intends by 1990 to double exports of chemical products, worth 1.5 billion U.S. dollars, according to an earlier report. [Text] [Beijing XINHUA in English 0627 GMT 13 Sep 86 OW] /12913

OIL EXPORT REDUCTION--Beijing, 10 September (XINHUA)--China will reduce its oil exports by two million tons (about 14 million bbl) in the second half of this year to continue its support for OPEC's efforts to stabilize world oil prices. President of the China National Chemicals Import and Export Corporation, Zheng Dunxun announced this at a news briefing held here today. He said China had already cut its oil exports by the same amount during the first six months of this year. [Text] [Beijing XINHUA in English 1447 GMT 10 Sep 86 OW] /12913

CSO: 4020/437

TECHNOLOGICAL REVOLUTION, DEVELOPMENT TACTICS IN SEZ'S

Guangzhou GUANGDONG SHEHUI KEXUE [GUANGDONG SOCIAL SCIENCE] in Chinese No 1, Mar 86 p 49-54

[Article by Li Haifeng [2621 3189 1496], Li Xiaoming [2621 1420 2494], Cheng Nanping [4453 0589 5493]: "The New Technological Revolution and Development Tactics in the SEZ's]

[Text] The wave of the new technological revolution is at present flourishing vigorously all over the world. Assaulted by this wave, economic forms worldwide are changing profoundly and competition on international markets has become increasingly intense. In order to survive in the competition, many developed capitalist nations have devised long-term strategies to develop advanced science and technology, and quite a few developing countries and special economic zones are flocking to create countermeasures dealing with the new technological revolution in the hopes of utilizing science and technology, especially new science and technology as a means of development in order to catch up with new levels already attained worldwide and reduce the disparity between them and the developed countries. This has brought the Shenzhen SEZ face to face with a difficult problem--what measures should the SEZ take to respond to the wave of the new technological revolution. This is a problem not only for the Shenzhen SEZ, but for the economic development of other SEZ's and quite a few cities nationwide, if not for China's entire national economy. This article is intended to be an analytical comparison of the Shenzhen SEZ with a number of countries and regions throughout the world. We hope that the superficial ideas raised therein will be of help to the economic development of the SEZ and China.

I. We Must Understand the Situation in the New World Technological Revolution, Stress the Need For a Sense of Urgency About Developing New Science and Technology in the SEZ's and not Miss Opportunities To Take the Initiative

Judging from the international situation, the developed nations are striving to study and utilize the fruits of research in the new sciences and technologies in order to accelerate the pace of economic development at home, while other developing nations are seeking to emulate this and strive to keep up with the daily changing new technological revolution. Given this constant emergence of new technologies and the level of international competition in this regard, economic development in the Shenzhen SEZ and in China as a whole will remain in a backward state for a long time to come if we continue to miss opportunities.

As for Asia, the region has now become the liveliest region in the world, economically, and has given birth to quite a few rapidly developing countries and regions, such as Japan, Singapore, South Korea, Hong Kong, Taiwan, and so on. There are also many surprisingly successful special economic zones such as Taiwan's Kaohsiung, the Philippines' Badan, South Korea's Masan and Singapore's Yulang. If the SEZ's of Shenzhen and others throughout the nation are to seek a position in international competition for themselves, they must attempt to survive via developing science, technology, and knowledge, and be thoroughly prepared to enthusiastically meet the challenge of the new technological revolution.

As an SEZ, Shenzhen occupies a special position and has the responsibility of functioning as a "window" to the outside. One of the goals of creating SEZ's in China is to attract and assimilate, via this "window," new science and technology, information, equipment and then disseminate them throughout the nation, accelerating the pace of the modernization drive in China. If the Shenzhen SEZ is to genuinely be able of taking on this heavy responsibility, it must first possess an economic and technological base of its own. Otherwise, it will fail.

Along with the further development of China's open door economic policy, 14 open coastal cities and quite a few economic development zones have been created, where the economic and other foundations are often stronger than in the Shenzhen SEZ, presenting the zone with the challenge of strong domestic competition. Therefore, we must understand the situation, have a sense of urgency about the need to intensify, revitalize and develop new science and technology and seize all opportunities to go on the initiative.

II. We Must Devise Plans To Develop New Technologies and Sciences in Accordance with the Realities of the Shenzhen SEZ

In order to develop science and technology nationally and regionally, quite a few developed and developing countries and special economic zones have devised plans to further scientific and technological development as an important countermeasure in response to the wave of the new technological revolution. For example, in the early 1980's South Korea raised the slogans of "promote science and technology" and "build the nation via technology," and promoted them as part of a fundamental national policy of decisive relevance to the country's future fate and development. Plans were created to enable entry into a "a second leap forward" from 1984 to 1987, via a "transitional period" from 1980 to 1983, enabling South Korea to join the ranks of advanced industrial nations by the late 1980's. Another example is the development plan devised by the Xinzhu Industrial Park in Taiwan for 1980 to 1989, the first stage of which involves the importation of the advanced technology and personnel needed by technology-intensive industry. The second stage focuses on the assimilation and improvement of imported technologies, the enhancing of competitiveness of products on the market, and entry into the international market. The third stage emphasizes the consolidation of the successful result of importation, enabling product quality to attain a first-rate international level, and the development of capital- and technology-intensive industry in

the province's factories. After several years of effort, definite successes have been achieved in Taiwan's importation of advanced technology.

Devising a good plan for S&T development in the Shenzhen SEZ is an important task of relevance to overall development of the SEZ of a pioneering nature and is of critical importance to the success of such development in the zone. The SEZ's plan for S&T development must lead to the implementation of the Central Committee's goals and demands for the SEZ. The plan must be based on a foundation of a comprehensive investigation and study of all aspects of the SEZ. Practical plans, tasks, and norms for all aspects of S&T development must be designated, as must the major measures and methods needed to implement plans in all areas and stipulated tasks. The S&T development program in the SEZ should include short-, middle- and long-term plans, with short-term plans to last 2-3 years, medium-range plans to last approximately 5-10 years, and long-term plans to extend beyond 10 years. Judging from the successful experiences of other special economic zones throughout the world, any S&T development plan arrived at via complete investigation and research and theoretical verification can lead to smooth development of science and technology in the special economic zones. Conversely, neglecting the creation of S&T plans or the lack of such plans easily leads to blind one-sidedness, making it difficult to achieve projected goals.

The creation of S&T development plans is a scientific project closely related to policymaking, and its demands must be strictly adhered to in order to enable these plans to guide the S&T development of the SEZ. Therefore, the following principles should be noted:

1. Clearly delineating specific goals of struggle in the plan based on the special characteristics of the SEZ.

2. Integrating and balancing the appropriate departments and practical plans in all areas.

3. Stressing the use of feasibility studies in all technological projects and related work. Strive to make the most scientific, effective choices and proofs to provide grounds for policymaking.

4. The necessity of carrying out repeated examination and revision of technological development plans.

5. Once a technological development plan is examined, reviewed, and approved by supervisory agencies, it is to become the key, guiding document for S&T development in the SEZ, and its authoritiveness must be maintained.

III. Take Energetic Organizational Measures To Create a System of S&T Organizations and Agencies

Promoting S&T development in the SEZ, requires a corresponding S&T organizational structure.

In the last few years a number of countries abroad have established national and regional S&T organizations, such Singapore's creation in the 1970's of a national computer bureau and a computerization committee with responsibility over the work of computerizing the entire nation; India's creation in 1983 of a national S&T personnel bureau, a national committee for the exchange of S&T personnel, and other organizations. The creation of such S&T organs has played a great role in promoting S&T development.

Since the Shenzhen SEZ is a newly established city, it has little S&T strength. Although quite a few S&T personnel have been shifted to the SEZ via transfer and recruitment from all parts of China, there are still numerous problems in organization and other areas, and S&T development in Shenzhen remains a fairly weak link. From now on the following projects should be stressed:

1. We should create an authoritative S&T agency that can play a genuine role in coordinating and organizing technical development throughout the city. Due to the fact that until now the Shenzhen SEZ has emphasized foreign trade and industry, the large volume of work done to promote science and technology has not yet achieved maximum results because of a lack of unified leadership, despite the creation of Shenzhen University, a city S&T development center, an agronomy center, a city library, and so on.

2. We must rationally organize S&T personnel of all kinds and make an effort to create the necessary conditions to arouse their enthusiasm. There has always been a shortage of such personnel in the Shenzhen SEZ. Although quite a few S&T personnel were transferred in to the SEZ, due to poor organization, they were dispersed among enterprises that were just in the process of being created. As a result, not enough attention was paid to S&T development. In addition, due to the lack of needed research facilities and other conditions, many personnel, especially those with single specialities, still cannot put their abilities to the best use.

3. We must enhance coordination and integration between S&T organizations in the SEZ and similar organizations of the various central ministries, provinces, and cities. Nearly all of the central ministries and large provinces and cities have established enterprises and offices in Shenzhen. Many centrally run enterprises are rather strong in science and technology, such as those enterprises under the jurisdiction of the Computer Industry and Civil Aviation Ministries. We should maximize the role of outside technological forces in Shenzhen and augment S&T integration between local and central authorities.

C. Contact between technological organizations in the SEZ and similar organizations throughout the world should be enhanced. As Shenzhen borders on Hong Kong and Macao, it has the excellent geographical conditions needed to make the best possible use of these channels to link up with scientific organizations throughout the world, in particular, those of developed countries, and thereby can obtain more rapidly even more new S&T information, or make the training of personnel more convenient, and so on.

IV. We Must Rapidly Create S&T Information Network for the SEZ

The good transmission of S&T information has a direct bearing on the successful national or regional growth and development of science and technology. The information system of an economically developed country is inevitably developed also. For example, Japan's Mitsubishi Corp., Mitsui & Co., Ltd., C. Itoh & Co., Ltd., Sumitomo Corp., Nissho Iwai Corp., Marubeni Corp., companies have more than 700 business offices in nearly 200 cities worldwide, staffed with more than 5,000 personnel. Their information networks cover up to 100,000 km and handle economic and technological information in approximately 80,000 different areas daily.

S&T information services form a weak link in the Shenzhen SEZ and in China. The basic reason for this is that we formerly lacked understanding of the importance of information and did not pay much attention to the role of information in S&T development. It is also due to the fact that we lacked the many necessary avenues of information and the means of S&T information transmission, which led to the roundabout duplication of the efforts of others and a great deal of waste.

As a "window" on world communications and information, the Shenzhen SEZ should widely absorb scientific, technical, and economic information of all kinds, not only for purposes of local assimilation, but also for transmission into the interior as well. Therefore, we should rapidly create in a planned fashion, a systematic network for the transmission of S&T information. Due to the broad scope of technical information work and its highly scientific and dynamic nature, the situation is quite complex. Only by creating a multidirectional, crisscrossing information network can S&T information of all kinds be widely and accurately gathered and disseminated. In the past few years, economic information has come to be gradually emphasized in the Shenzhen SEZ due to the zone's growing foreign economic relations. However, not enough attention has been elicited to the communication of S&T information.

How should the SEZ create an S&T information network? On one hand, an information network that focuses on handicrafts should be established. Various types of S&T information agencies can be set up. Reference rooms, research institutions, libraries, information companies and universities already in existence can be supplemented and utilized, strengthened, and improved. After the creation of these networks, they must be made to form a united whole. The various information agencies should use various means of integration, either veritical or horizontal, or crisscrossing vertical and lateral. Some specialized networks for single projects can also be built. Import- and export-oriented networks should be created in the SEZ domestically and internationally. On the other hand, a modern S&T information services system should be established as rapidly as possible, using advanced scientific methods, including the utilization of calculators, computers, fiber optics communications and other advanced equipment.

V. We Must Rapidly, in a Planned Fashion, Build All Types of Industrial Parks Integrating Scientific Research and Production

The integration of university scientific research institutions and enterprises that has occurred in the well-known Silicon Valley, Salt Lake City, and other places in the United States has lead to a merging of scientific researchers and entrepreneurs and of the research, development, utilization, and promotion of new technologies, product production, and marketing. It has reduced the number of administrative levels in the process of transformation and has shrunk the time and space gap involved, greatly accelerating the pace and effectiveness of transformation, initiating a new era of the integration of scientific research and production. The successful creation of scientific research bases such as the U.S. Silicon Valley and Salt Lake City has elicited worldwide attention. Quite a few countries and regions have established various kinds of scientific research bases, such as Singapore's Kentegang [phonetic] Science and Technology Park, Taiwan's Xinzhu Science and Industrial Park, India's Jialo [phonetic] Suburban Electronics City and so on. Judging from successful experiences abroad, the development of new technology and the creation of new industries require the selection of an appropriate location, and the concentration of various advantageous conditions and S&T personnel to form a comprehensive production entity to tackle difficult problems in an overall manner. As soon as results are achieved in scientific research, they are immediately put to use in production to create new products for consumption on the international market.

The Shenzhen SEZ should become a comprehensive scientific research-production entity. In order to concentrate its scientific research forces, the Shenzhen City government has, in addition to making plans for the construction of 11 industrial zones, also created a high-level scientific and industrial zone integrating teaching, research, and production. After the establishment of these research-production bases, an appropriate amount of funding should be allocated for R&D and various forms of preferential treatment and the necessary research conditions should be accorded S&T personnel, or else it will still be difficult to attract and concentrate such a staff. In addition to attracting personnel from within China, we should, while importing foreign capital, pay special attention to bringing in foreign S&T personnel to participate in the construction of scientific parks, thereby bringing in their advanced science and technology and relevant information and knowledge as well. In the future when conditions are right, we should allow cooperation and shareholding to permit foreign science parks to build our S&T production companies, collect information on the newest technologies and train high-level S&T personnel.

VI. We Must Understand the Direction of the Development of New Science and Technology Throughout the World, Improve Research on and Development of New Science and Technology and Reduce as Much as Possible the Time It Takes for New Technologies To Be Utilized in Production

In addition to conducting microeconomic research on single areas of scientific specialization in the course of the development of new technologies from all countries, we should also make macroeconomic studies of that entire development worldwide. In Japan, where research on new foreign technology is taken very seriously, all governmental departments and industries have their own specialized agencies that closely examine the development of new technology. For that reason, many new scientific discoveries are purchased or obtained by various other means by the Japanese as soon as they appear and rapidly utilized in production. At the same time, the Japanese continue to study the new technologies and improve them, making them their own.

Research on the development of new science and technology should be conducted from the following points of view:

1. Macroeconomically and microeconomically studying development trends in new science and technology throughout the world, the pace of development, internal structure, and so on.

2. Conducting research on how to accelerate the pace of development of scientific research in the SEZ, strengthen the integration of various specialized sciences and technologies, reducing the amount of time it takes for new technologies to be utilized in production. The Shenzhen SEZ has imported quite a few new sciences and technologies (to be discussed later), but few of them have been genuinely studied and improved to become "Sinicized."

3. Research on investment, including quantity, orientation, and proportions, in research development in the SEZ. In order to accelerate the pace of scientific research and the utilization of discoveries in production, many foreign countries have stepped up R&D funding. For example, from 1965 to 1980, development funds in the United States increased 2-fold, in Japan 11-fold, in Germany 7-fold, in France 3-fold, and in Great Britain 2-fold. Some developing nations and regions have greatly increased outlay for scientific research, such as in Brazil in 1984, where such investment rose to 3.4 percent of the GNP. During the same period, investment in South Korea in the electronics industry grew 30 percent over 1983, and S&T investment in China's Taiwan Province increased from 0.8 percent of the GNP in 1983 to 1.2 percent in 1984. At the same time, plans have been made in Taiwan to ensure that 1.5 percent of marketed products in the electronics industry will be applied to R&D.

4. The study of various problems that emerge in the course of R&D of new technology in the SEZ, such as those relating to S&T management, coordination among the various scientific disciplines, S&T information services, developmental forecasting and so on.

VII. While Importing Large Amounts of Foreign Capital, Emphasis Must Also Be Placed on the Importation of Advanced Sciences, Technologies and Equipment

Through its own efforts, plus the support of all the CPC committees of the provinces, cities, and departments, the Shenzhen SEZ has built a definite

scientific base, but the zone still lacks the ability to conduct R&D, particularly regarding the most advanced sciences and technologies. Therefore, we should maximize the zone's advantageous conditions, making use of its role of "window" on the world and import a large amount of advanced foreign technology and equipment. For more than 5 years, the Shenzhen SEZ has achieved considerable success in the importation of foreign capital, technology, and equipment. It should be noted, however, that while importing advanced technology, the zone should also pay attention to the problem of improving such technologies so that they become our own. Japan is known throughout the world for her capacity to do this.

VIII. We Must Guide the Direction of Foreign Capital Investment and Constantly Readjust Our Industrial Structure To Benefit the Development of New Sciences and Technologies

Judging from the manner in which SEZ's abroad import foreign capital, generally, the situation is one in which foreign capital is mainly invested in the processing of primary products, later gradually shifting toward manufacturing, and then new S&T-based industries. In the Shenzhen SEZ the early period was characterized by foreign investment being placed primarily in land development, tourism, housing, and commercial services, shifting at present toward the development of industrial processing. For example, in 1981 industrial investment in the zone accounted for 10.3 percent of overall investment; cooperative land development accounted for 53 percent; housing for 19 percent; tourism for 10.7 percent, and commerce, 4 percent. By the end of 1983, industry had taken the lead, with industrial investment accounting for 44 percent of total investment; investment in housing accounted for 27 percent; tourism for 5 percent and commercial services, 7 percent. Although foreign investment in the Shenzhen SEZ has shifted mainly toward industry, little has gone to new S&T sectors. Guidance in this regard must be enhanced from now on.

The new technological revolution requires an appropriate investment direction and industrial structure. Faced with the rise of the new technological revolution, the SEZ must pay attention to readjusting its foreign exchange policy and make good use of all economic levers and preferential treatment to promptly alter the direction of foreign investment. It must also ceaselessly reform the traditional industrial structure and industries to further develop new-technology-based industries. Otherwise it cannot adapt to the demands of the new technological revolution.

IX. We Must Rapidly Train a Large Army of S&T Personnel

The human factor is critical in the development of science and technology in the SEZ. Judging from the international situation, the quantity and quality of a country's or region's S&T forces play a decisive role in the economic strength of that country or region. In a few years, the economic scope and pace of development of nations with strong S&T resources will be good, while development in nations with poorer S&T resources will eventually slow down despite an initial large scope and rapid pace. A comparison of development in Western Europe and Japan will show this to be true.

The Shenzhen SEZ was originally a small town with a population of only several tens of thousands. Of the zone's entire work force, of nearly 39,000 people, there was only 1 mechanical engineer and the number of S&T personnel was so small you could count them on the fingers of one hand. The quality of staff was extremely low, not nearly enough to adapt to the needs of the zone's development. After the creation of the SEZ, the city government became strongly aware of the deficiency in personnel and resolved to attack the problem as a long-term strategic task. After more than 5 years of hard work, the quality of the city's cadres has improved considerably, but is still far from the demands of S&T development in the SEZ. Efforts must be made in the following areas to resolve the problem of weak technological personnel resources:

1. We must maximize the potential of institutions of higher education and all research units so that they will function to train high-level personnel and engage in open-door-style social training.

2. We must implement widespread open-door-type S&T training, arouse enthusiasm in all quarters and replace the old, narrow, traditional, one-time-only type of education with multilevel, multiform and multichannel S&T education. We are living in an era of an explosion of knowledge. As knowledge is renewed in shorter periods of time, we must ceaselessly supplement and renew it. University students, engineers and high-level engineers must all study constantly and absorb new information or their knowledge will be rendered obsolete by the times. Therefore, the reeducation of S&T cadres must be stressed.

3. We must continue to work hard to bring in S&T personnel from other parts of China and abroad to constantly supplement and enhance our own technological personnel resources. The zone's technological personnel must also be surveyed and rationally assigned.

4. We must send more S&T personnel abroad for training, making use of international technological forces to train S&T personnel for the SEZ. At the same time, we must import more new information on advanced sciences and technologies.

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BEIJING'S FLOATING POPULATION DURING ECONOMIC REFORMS

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[Excerpts] The Present Situation of the Floating Population in Beijing Municipality

The areas represented in this survey of the floating population were four city districts and the four suburban areas of Chaoyang, Fengtai, Haidian, and Shijingshan. The floating population is defined as the population which is residing temporarily in the area, staying for a short period, living away from home etc., and which does not have its household registration (including agricultural household registration) in these eight regions. It also includes people who commute to Beijing every day. The standard time of the survey was 20 April 1985 at 2400 hours.

The survey shows that the floating population residing temporarily in these eight areas was 662,000 or 12.25 percent of the population residing there permanently. This population was distributed in a range of different types of accommodations. The floating population scattered in the homes of urban or rural residents or living in collective households was the greatest at about 250,000, or 37.6 percent, of the floating population. Next came the floating population living in various taverns, hotels, and guesthouses at 236,000, or 35.5 percent, of the floating population. Another 138,000 people, or 20.8 percent, of the floating population lived at construction sites. The proportion of the floating population living in other kinds of places was 6.2 percent, or 41,200 people.

The structure of the floating population is different in different types of accommodations. Among the people living in the collective households of organizations and enterprises, peasants from other areas make up 31.6 percent of the total; cadres, 25 percent; workers, 15.5 percent, technicians, 11.7 percent; unemployed, 3.7 percent; and others, 11.9 percent [figures as published]. Among the floating population living in taverns and guesthouses employees of enterprises and transportation workers make up 38.1 percent; leading cadres of the party and the government and of the units of

enterprises accounted for 33.9 percent; teachers, health workers, and other specialized technical personnel, 12 percent; peasants, 7 percent; and various other categories, 8 percent. Among the floating population dispersed at peasant households, peasants were in first place at 49.5 percent; scientific, educational, cultural, health, news, and other workers accounted for 12.6 percent; responsible comrades from units of party and political organizations and enterprises and mass organizations accounted for 7.5 percent; office workers and related workers, production and transportation workers, 10.2 percent; business and service workers, 5.4 percent; other workers difficult to categorize, 14.8 percent. At the 257 farmers markets in Beijing, peasants from other provinces and municipalities make up 54.2 percent of the total and of these about 75 percent come to Beijing with contracts to work in construction. In addition, people enter or exit Beijing 880,000 times daily; of this number, 434,000 persons enter and 446,000 persons exit Beijing.

From the description of the floating population given above, it is clear that under the new situation of ongoing economic reforms socioeconomic activity becomes more frequent and vibrant, the size of the floating population must increase, and obvious changes occur in the structure of the floating population. The tremendous influx of the floating population greatly overloads the original infrastructure and industrial structure. This unavoidably puts considerable pressure on construction and management of the capital city and on every area of socioeconomic activity. Yet this kind of pressure can be transformed into a great force fostering the modernization and adjustment of the industrial structure of the capital. The colonies which make up a large part of the floating population do not increase the burden on the capital but are making direct contributions to Beijing's modernization and the development of tertiary production.

Reform of the Economic Systems and Structure of the Floating Population

1. The Origins and Goals of the Floating Population

People who come to Beijing for a conference all come from other cities and regions: 88.9 percent of the people engaged in economic activity come from the villages; 77 percent of the people who come to study or get additional training come from other cities; people from the villages make up the largest proportion of people who come to Beijing to visit friends and relatives, take refuge with relatives when in difficulty, receive medical attention, and others (see Table 1).

Table 1. Structure of Floating Population by Origin and Reason for Coming to Beijing (percent)

	Reason for coming to Beijing								
Local origin	Conference	Business	Study or refresher course	Visiting friends or relatives	Relying on relatives for support	Tourism	Medical care	Passing through enroute	Other
Rural village		88.9	23.0	57.5	67.7	50.0	62.6	41.7	59.5
City	100	11.1	77.0	42.5	32.3	50.0	37.4	58.3	40.5

2. Original Occupation and Reason for Coming to Beijing of the Floating Population

Agriculture, forestry, herding, and fishing are the most common original occupations of the floating population dispersed in the homes of area residents, making up 49.5 percent of the total. Next come workers in science, technology, and education, accounting for 8.8 percent; workers engaged in production and transportation, 8.1 percent; responsible people from party and government organizations, enterprises and mass organizations, 7.5 percent; and commercial and service workers, 5.4 percent. From studying the composition of their original occupations and their economic activities in Beijing, we find that although only 15.5 percent of the floating population belongs to one of the three categories of responsible people from party and government organizations, enterprises, or mass organizations--office workers and related workers; and commercial and service workers--these people make up 56.7 percent of the people who come to Beijing to engage in coordinating economic activities. Workers who worked in agriculture, forestry, herding, or fishing come to Beijing to work as children's nurses or as laborers, to set themselves up as independent entrepreneurs or to run shops. Among children's nurses 90.2 percent were formerly engaged in agriculture, forestry, herding, or fishing. The percentages for the three other categories are 71.3, 65.5, and 60 percent (see Table 2).

3. Original Occupations of the Floating Population and Their Reasons for Coming to Beijing

Among the floating population dispersed in the homes of area residents, people whose original occupation was worker comprise 42 percent; unemployed, 26.7 percent; students, 8.1 percent; people who found work for themselves after retiring or leaving their work, 0.9 percent; and people who retired or left their work, 6.3 percent; of the total while others, 16 percent. All people engaged in coordinating economic activities had been employed before; 55.3 percent of the children's nurses had worked before; and people who had never worked before made up 34 percent of the total. More than half of the laborers, shopkeepers, and entrepreneurs who came to Beijing had been employed before. The proportion of the laborers, shopkeepers, and entrepreneurs who had been unemployed comprise 24.7, 42.9, and 20 percent of the total. People who were unemployed previously and found various kinds of work after coming to Beijing comprised 26.4 percent of the total (see Table 3).

4. Occupational Composition of the Floating Population Engaged in Economic Activity

We divide economic activity into these five categories: coordinating economic activities, children's nurse, laborer, shopkeeper, and independent businessman. Children's nurses comprise most of the employed population dispersed in the homes of residents at 54.6 percent; followed by laborers, 27 percent; independent businessmen, 12.2 percent; and people engaged in coordinating economic activities, just 6.2 percent. Although the occupational composition of the floating population at Beijing is very different from what it was before they came to Beijing, a pattern can be discerned in the changes. These patterns

Table 2. Original Occupation and Reason for Coming to Beijing of the Floating Population

Original occupation	Original occupational structure of the present floating population	Each category of economic activity and original occupation (%)				
		Economic liaison	Children's nurse	Laborer	Shop-keeper	Independent entrepreneur
Workers in science, technology, and education	8.8	9.5	0.4	1.0		1.1
Recreation, health, and news	3.8	8.1		0.6		
Responsible people from party and government organizations, enterprises, and mass organizations	7.5	27.0		1.9		2.3
Office workers and related workers	2.2	16.2	0.4	1.2		1.1
Commercial service workers	5.4	13.5	0.7	6.9	20.0	12.6
Agricultural, forestry, fishery, and herding workers	49.5	10.8	90.2	71.3	60.0	65.5
Production and transportation workers	8.1	8.1	0.3	5.6		3.5
Workers difficult to classify	3.0	1.4	2.8	4.4	20.0	8.1
Others	11.7	5.4	5.2	6.2		5.8

Table 3. The Original Occupation of the Floating Population and Reason for Coming to Beijing

Original occupation	Original occupation of the present floating population (%)	Various economic activities and original occupation (%)				
		Economic liaison	Children's nurse	Laborer	Shop-keeper	Independent entrepreneur
Employed	42.0	100	35.3	55.6	57.1	69.5
Found work after retiring or quitting work	0.9		0.2	4.5		
Retired or left work	6.3			3.3		
Unemployed	26.7		34.0	24.7	42.9	20.0
Students at school	8.1		2.6	3.7		1.9
Others	16.1		8.0	8.2		8.6

tell us that children's nurses comprise more than half of this floating population in peoples' homes not only because of the nature of the work but also because nearly half of the children's nurses were previously engaged in agriculture, forestry, herding, or fishing. Aside from working as children's nurses, the former peasant floating population in the city naturally moves into the occupations of laborer, shopkeeper, and businessman.

5. Age Structure of the Floating Population Which Has Been Engaged in Economic Activities for More Than Half a Year

Most who enter Beijing to engage in economic activities are young people; those between 15 and 39 are 44.8 percent of the total. This represents 41.1 percent within the male group, 46.6 percent females. People engaged in coordinating economic activities are concentrated in the 30 through 39 age range, which accounts for 61.5 percent of the people in that range. Children's nurses are the youngest group, with 76 percent under age 24. They are for the most part unmarried young women from rural villages. Young men in the 18 through 24 age group who come to the city comprise upwards of 35 percent of the total. The proportion of individual businessmen in the age 20 through 24 and 30 through 34 cohorts is much larger than in any other age range and totals 58.3 percent (see Table 4).

Table 4. Age Structure of the Floating Population Dispersed in the Homes of Residents of Beijing Who Have Been Engaged in Economic Activity for More Than Half a Year (percent)

Age structure	Economic liaison	Children's nurse	Laborer	Shop-keeper	Independent entrepreneur
Age 17 and under		11.8	6.3	20.0	8.3
17 or 18 years old		27.3	11.7		4.8
20-24 years old		36.9	35.6	20.0	45.2
25-29 years old	7.7	0.7	8.3		9.5
30-34 years old	42.3	1.4	9.3		13.1
35-39 years old	19.2	3.4	5.4	20.0	4.8
40-44 years old	3.8	2.6	4.4	20.0	4.8
45-49 years old	7.7	1.7	4.9		1.2
50-54 years old	7.7	3.4	4.4		4.8
55-59 years old	11.6	5.0	2.0		2.4
Age 60 and above		5.8	7.8	20.0	1.2

6. Cultural Level of the Floating Population Engaged in Economic Activity

The cultural level of the floating population engaged in economic activity is different, just as the occupations they are engaged in are different. Among those engaged in coordinating economic activities, 47.3 percent have a lower middle elementary education, 36.5 percent have a middle school education, and 12.2 percent have a university education. Only 4.1 percent have a primary school education. Children's nurses with lower middle education comprised 34.4 percent of the total; next come illiterates, 31 percent; those with primary school education, 30.5 percent; and just 4.1 percent have

high school education. Among laborers and independent businessmen who have come to Beijing, the proportion with lower middle school education is highest at 55.1 and 50.5 percent, respectively; next highest are those with primary school education at 23 and 19 percent, respectively; university-educated personnel comprise just 0.8 and 4.8 percent of the totals, respectively; in addition, 4.9 and 11.4 percent, respectively, are illiterate or semi-literate (see Table 5).

Table 5. Educational Structure of the Floating Population Engaged in Economic Activity (percent)

Educational level	Economic liaison	Children's nurse	Laborer	Shop-keeper	Independent entrepreneur
University level and above	12.2		0.8	25	4.8
Middle school	36.5	4.1	16.1		14.3
Lower middle school	47.3	34.4	55.1	25	50.5
Primary school	4.1	30.5	23.0	25	19.0
Illiterate and semi-literate		31.0	4.9	25	11.4

The following characteristics of the floating population dispersed in the homes of area residents can be discerned from the analysis above:

1. A large proportion, 66.3 percent, of people from rural villages engaged in agriculture, forestry, herding, and fishing are among the floating population dispersed in the homes of area residents. Just 33.7 percent of the people from other cities were from this segment of the floating population. People in the floating population whose original occupation was agriculture, forestry, herding, or fishing comprise about 50 percent of the floating population residing in the homes of area residents. People from rural villages comprise 88.9 percent of the floating population engaged in economic activity, and people whose former occupation was agriculture, forestry, herding, or fishing comprise 81.8 percent of this population.

2. People who left their former occupation and entered the city to take up another occupation.

3. The sex structure shows an excess of females over males. Females account for 60.3 percent of the floating population dispersed in the homes of area residents while males make up 39.1 percent [figures as published] of the total.

4. Youth dominates the age structure. The proportion of people 39 and under in the floating population is 62.7 percent; people 40 through 59, 14.9 percent; people 60 and over 22.4 percent. The proportion of the floating population engaged in economic activity between the ages of 15 and 39 is 45.2 percent of the floating population which came to Beijing for any reason.

5. The educational level tends to be low.

6. Floating population depends primarily on own earnings in Beijing. According to analyses of the economic situation of the floating population dispersed in the homes of local residents, 83.3 percent of the economic resources of the floating population are from individual earnings in Beijing while support from the family with which they live and from relatives makes up 9.1 percent. For people engaged in economic liaison work, conferences, further training, and study, 6.9 percent of their economic resources come from their original units and 0.7 percent come from other sources.

7. A large proportion of the floating population has resided in the area for a long time. The length of time the floating population stays in Beijing varies with their reason for coming to Beijing. More than half, 51.6 percent, of the floating population dispersed in the homes of local residents has lived in the city for more than half a year. People who have lived in the city from a month to half a year totaled 19.4 percent; from a week to a month, 15.6 percent; 3 days to 1 week and 3 days and less were each 6.7 percent.

Controlling Beijing's Population and the Floating Population

1. Controlling the total population of Beijing is chiefly a matter of controlling the natural and mechanical increases of Beijing's population. The natural increase in the population can be controlled through family planning policies and regulations and the number of people in the migratory population. Beijing has achieved unmistakable success since the beginning of thoroughgoing family planning in the 1970's. Since the CPC Central Committee and the State Council released their open letter in 1980, the first-child fertility rate has been steady at 87 percent of all births for several years beginning with 1981, with the second-child fertility holding at under 10 percent of all births and the fertility rate for three or more children in rural villages at 3 to 4 percent of all births. In 1983, the first-child fertility rate reached 97.32 percent in the urban section of Beijing Municipality and 75.56 percent in rural villages, while the second-child fertility rate as a proportion of all births was 2.68 percent in urban areas and 20 percent in rural villages. In urban areas, the fertility rate for three or more children is nil while it is only 1.67 percent in rural villages. The data above shows that the natural increase in Beijing's population is well under control. The real issue is strictly controlling the mechanical increase in the population. Men and women in their reproductive years are very numerous in this sector of the population which has grown mechanically. They want to have children in Beijing, which will contribute to the natural increase in the population, and settle down in Beijing for generation after generation of prosperity. Thus, judging from the actual situation, the most important way of controlling the increase of Beijing's population is by controlling the mechanical increase of the population. The key to controlling Beijing's population growth is to strictly control the permanent movement of population from rural villages and from other provinces and municipalities into Beijing where they become permanent residents. The goal of about 10 million of the CPC Central Committee and the State Council refers to permanent residents.

2. The total size of Beijing's population should be understood as the total of permanent residents and the average floating population. Thus, when we discuss limiting the size of Beijing's population we should include controls on the size of the floating population. Undeniably, the sudden increase in Beijing's floating population is a setback for the goal of controlling Beijing's population and is an undesirable event.

3. The factors below should be considered when controlling the size of Beijing's floating population:

First, we should begin with what Beijing needs in order to fulfill its special capacities. Any population which will help it bring into play these special capacities should be encouraged; any population which is detrimental to bringing into play these special capacities should be controlled. Control of the floating population is directed at this second group.

Second, in controlling the overall size of the floating population, one should consider the goal of controlling Beijing's overall population and adjusting the size of the population to Beijing's needs to fully utilize its strengths. According to the calculations of the concerned departments, in the year 2000 the overall size of Beijing's permanent resident population will increase from the present (late 1984) population of 9,452,000 to about 11 million. Ordinarily the sizes of the Beijing's resident and floating population are positively correlated. If we calculate the future floating population according to the factor 0.1225 derived from the relative sizes of the resident and floating populations in the eight areas studied we arrive at 1.35 million for the size of Beijing's floating population in the year 2000. However we can be certain that in order to permit Beijing to fully utilize its strengths the rate of increase of the floating population will far exceed that of the resident population. According to preliminary predictions made by the concerned departments, approximately 2 million for the floating population of the entire city would not be a high figure. Thus, the total population of Beijing in the year 2000 will reach about 13 million.

Third, the size of the floating population will be limited by the ability of Beijing to accommodate it. The capacity of Beijing to accommodate a population can be considered on several levels: the city, planned districts, the near suburbs of the city, and the entire Beijing Municipality, including the distant suburbs and counties. Ninety percent of the floating population of Beijing is concentrated in the city and in the near suburbs, but primarily in the city. The original city population has already reached the saturation point. The average population density per square km for the four city districts studied is 27,094, the most densely populated being the Xuanwu District with 33,240 people per square km. When the concentrated floating population is added to this, the population pressure is unbearable. The coming of this overload to these city and suburban districts has already had a serious effect on the quality of life of people in these districts. Although we have planned city districts in order to disperse the population, this is a very difficult task. We believe that, in order to balance Beijing's ability to accommodate the load of the floating population, we should select

suitable distant suburbs and counties and create there an urban and industrial infrastructure as good as that found in urban districts of Beijing which will include some high-class entertainment centers in order to spread out and attract a part of the city population and the floating population. These distant suburbs and counties should all be linked to Beijing by highway.

We cannot for long allow the capacity of Beijing to accommodate a larger population limit the rational growth of the floating population. We must take the initiative, take practical steps and concrete measures, and bring together capital from many sources to strengthen the construction of Beijing's infrastructure in order to adapt to the new situation of the permanent resident and floating populations and the needs to open up, reform, and develop society.

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POPULATION

TIAN FANG: MOVE POPULATION WHERE IT IS MOST NEEDED

Beijing PEOPLE'S DAILY OVERSEAS EDITION in Chinese 21 May 86 p 2

[Article by Correspondent Fang Meng [2455 5535], "Move the Population to Where It is Most Needed!--Tian Fang [3944 2455] on the Rational Distribution of China's Productive Forces and Moving the Population"]

[Text] While visiting Tian Fang on business I discovered quite by accident that he had raised some well thought out topics for research on the role of moving the population in China's fundamental population policy. He had already achieved some success which had earned the praise of many comrades. Prof Fei Xiaotong wrote a preface recommending the series of collected essays on this problem of which Tian Fang, with the help of other comrades, was chief editor. What amazed me most of all was how he achieved these results after his retirement, drawing on his reserves of enthusiasm, by visiting many different specialists and scholars and by painstaking research. His eyes glowed and his ruddy complexion glistened as I listened to him describe the state of research on this problem. His enthusiasm was contagious; I returned home with a stack of material on the problem. Reading this material broadened my mind, deepened my knowledge, and increased my understanding of the population policy of our homeland.

Reflections Inspired by the Memory

Comrade Tian Fang said that he came to study this problem because of the memory of a news article he had written. He recalls that more than 40 years ago, when he was in northern Shaanxi Province, the party had moved part of the population of the Suide region, where there were many people living in a small area, to other areas where few people were living in a large area, such as Naniwan and Jinpenwan, in order to increase production, improve the defense of the border regions, and improve the living conditions of the people. Comrade Tian Fang participated in this work from studies, surveys, and drawing up the plan to arousing the population's enthusiasm for the move. He did practical work as well as propaganda and reports. He became very emotional as he recalled the scene of Li Chengzheng [2621 1073 2973], a peasant from Jia County, leading a brigade of peasants proudly setting out on their southward journey holding high their red flags and singing the folk song "The East Is Red" and how the young

immigrant peasants of Naniwan and Jinpenwan joined the army and fought bravely to defend the border area. As he remembered the past and faced the problems of today, the task which stirred his soul--moving the population--once again appeared before his eyes.

Tian Fang said that everyone knows that China's population is very large and is very unevenly distributed. Many people crowd together in the southeast while the northwest gives a feeling of vastness and loneliness. If one draws a sloping line from Aihui in Heilongjiang Province to Tengchong in Yunan Province the area to the southeast occupies only 36 percent of the national territory but has 94.4 percent of the population. However the area to the northwest occupies 64 percent of the national territory and has just 5.6 percent of the population. What a great difference between the two! The difference in population density between the two areas is astonishing. Shanghai Municipality, in the southeast, has 1,944 people per square km, reaching more than 42,000 people per square km in the city. The average population density of Jiangsu Province is 602 people per square km, Shandong Province 499, and Zhejiang Province 392. However in the northwest, the Ningxia Autonomous Region has a population density of just 61 people per square km, Gansu Province 45, Nei Monggol Autonomous Region 17, the Xinjiang Autonomous Region 8, Qinghai Province 6, and the Xizang Autonomous Region 2. This distinctive situation also exists within each province and within each city, although figures vary. Naturally, the area in which a population subsists must fulfill certain conditions relating to climate and material resources and be suitable for agriculture and various kinds of industry. However, this extremely irrational distribution of the labor force does serious harm to the exploitation of China's resources and the modernization of the economy.

The Conclusions Drawn from the Lessons of History

The only way to solve this distinctive situation is to distribute the forces of production and to adjust the structure of industry. Populations should be moved gradually and according to plan in order to adjust its distribution rationally. The lessons of history should be summarized and assimilated under the new conditions. Since liberation, Chinese population policy has had many twists and turns such as encouraging people to have many children: criticizing the population theory of Ma Yinqu [7456 1377 0443]; stressing lopsidedly that people have only one pair of hands and that more work can be done if there are more people, etc. This made the population increase abruptly. In recent years our country, having recognized the relationship between "person" and "mouth," implemented family planning to control the irrational increase in the population and achieved results. Family planning took its rightful place among our country's basic policies. However using family planning to "plug" the natural increase in the population is not enough. Since the population base of the east is too large, its natural increase will still be too large. We need to move the population, to "dredge it." Thus we will ensure that natural, economic, and labor resources will be used to the fullest. We must arrange labor resources rationally in order to do this as part of the national policy on population control. By implementing birth control as we dredge, combining "plugging" and "dredging" we will have a complete method of resolving China's population problem.

When the subject of moving the population comes up, and particularly when the orders to send young people up to the mountains or down into the countryside or to send cadres out into the villages people turn pale with their still fresh memories of those terrible days. This is a cruel lesson. However since liberation some areas have been fairly successful in moving the population, such as the migration into Nei Monggol. In the present population of Nei Monggol one-third moved to Nei Monggol from somewhere else. How did most of the people who moved there succeed in settling and putting down roots? Because the area fulfilled certain objective conditions.

Looking to the Future by Studying Current Trends

The case of Nei Monggol demonstrates the great potential benefits in moving China's population. Today, as the policy of opening up and the reforms of the economic system progress, surplus labor has begun to leave the land in Jiangnan, which is relatively advanced. Some of these people go into rural industry, leaving the land but not leaving the village, while others go to other villages or to distant border areas to take up many different kinds of activity. Comrade Tian Fang's talk got me interested in this subject. Several years ago I made two trips to the northwest, to Gansu, Qinghai, Xinjiang, and other areas and saw many skilled workers and craftsmen from Jiangnan making furniture, fluffing cotton, painting, sewing, or making repairs while others worked in construction brigades putting up buildings. Friends told me their footprints are to be found in Lhasa, the roof of the world, and in Kashe in the Pamirs. They call themselves "export labor," departing in the spring and returning in the winter. They do not change their household registration and come and go as they please as they are welcome in both areas. This is a new method of adjusting the labor force. Friends told me that when the call went out to open up the northwest, many people living in the interior wrote and asked to move there with their entire family. This shows that the trend to move from the densely populated regions toward the western border regions is a well established trend. The dawning of bright prospects is getting people excited.

The export of labor to foreign countries has also increased in recent years. According to preliminary statistics five countries including the USSR, Iraq, and the FRG wanted ore than 500,000 Chinese workers. However, China has sent over 50,000 workers thus far. More than 10 million people have migrated within provinces, counties and municipalities to construct or repair more than 80,000 reservoirs. The measures of Gansu to "Control the waters along the western bank of the river and end the impoverishment of Dingxi" and Ningxia's measures to "Control the waters of the Hetao region and end the impoverishment of Xihaigu" both started with moving the population to where the need was greatest in order to begin the transformation of the impoverished region. Jingtai County in Gansu has moved people into mountainous townships and made more than 300,000 mu of wilderness into fertile fields. Average income for 1985 reached about 500 yuan and the amount of grain per person rose to over 600 jin, freeing the entire county from poverty.

Tian Fang says that the available space is so large and the potential so great that this problem urgently needs to be placed on the national agenda. He hopes that: 1. the state will establish a special mechanism to handle this matter; 2. the lessons of history will be summarized and remaining problems will be resolved; 3. an overall plan for the rational distribution of productive forces and the migration of the population will be drawn up that will be carried out gradually; 4. various rules and regulations on the migration of the population will be drawn up to ensure that it is carried out; and 5. research organizations will be founded to carry on research on the plan as well as practical research. These are the new tasks to be carried out in the new situation. They are also new research problems in the population policy of China.

Learning From Specialized Articles

Tian Fang was, until he retired 3 years ago, vice director of the Economic Research Institute of the State Planning Commission. The new situation and a new topic for research inspired him to draw on his reserves of enthusiasm and to use his personal and professional connections to get the support of society, which permitted him to achieve results in his research. He shouldered heavy responsibilities as he went for thousands of miles on difficult and inconvenient trips throughout the northwest, the southwest, the northeast and the southeast for his research. At the age of 68, he wrote many articles and working with other comrades served as chief editor for four volumes of technical articles. With the help of the Caijing Chubanshe and the Zhishi Chubanshe, these volumes have been published. They are: "THE RATIONAL DISTRIBUTION OF CHINA'S FORCES OF PRODUCTION," "THE MIGRATION OF CHINA'S POPULATION," "SHORT HISTORY OF CHINESE MIGRATIONS," and "POPULATION MIGRATION IN FOREIGN COUNTRIES." These are the first books on this subject published since liberation. As I read Tian Fang's article and the table of contents of the four volumes every character shone out from the surface of the page. It shone with the radiant patriotic soul of an old revolutionary comrade. This is the spiritual radiance of an old warhorse who never gives up.

Professor Fei Xiaotong, in his preface to these four volumes, says that on the chessboard that is China's population problem we must keep one eye on developing the small townships so that people can leave the land without leaving the countryside and the other eye on the migration of the population. If these two objects are kept in sight progress will be made across the board. The preface states: "The rational deployment of the forces of production and the migration of the population is an important question that needs to be discussed when we are considering the strategy for national economic development or while making long-range plans. It has great strategic significance in the building of a distinctively Chinese socialist modernization." The preface confirms the results of Tian Fang's research and states that the four volumes of which he was the chief editor have provided us with valuable experience worth consulting.

For the sake of the homeland's glorious future the population should migrate to where it is most needed.

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TWO PROVINCES, ONE MUNICIPALITY PRELIMINARY CENSUS REPORT

Beijing RENKOU YANJIU [POPULATION RESEARCH] in Chinese Vol 2, (Mar-Apr) 86 pp 7-10

[Article by Human Population Statistics Office, National Statistical Bureau: "Preliminary Report on China's First Phase In-Depth Fertility Study"; this report is divided into four parts: (1) circumstances of research, (2) marriage conditions, (3) fertility and natal fatality, and (4) birth control situations. The first and second parts are published in this issue, the third and fourth in the next.]

[Excerpts] I. Circumstances of Research

A preliminary in-depth sample survey on fertility was carried out with State Council permission by the National Statistical Bureau in April 1985 in Hebei Province, Shaanxi Province, and Shanghai Municipality to get an in-depth understanding of the nation's fertility levels and growth trends, to analyze and study changes in and causes of female fertility levels, to learn from experience in the world fertility survey, to elevate the nation's survey capabilities in fertility and other features of demography, and to provide even richer scientific data for formulating and perfecting the nation's population policy.

Hebei Province stands sentry east over the Bohai Sea, includes a large slice of the north China plains and the mountain areas of Jixi and Jibei, represents China's coast, and had approximately 53 million people as of the 1982 census. Shaanxi Province is located midstream on the Huanghe River, includes the Chinba mountain area and the Guangzhung plain in Shaan'nan, and the loess plateau in Shaanbei, represents China's interior, and has approximately 20 million people. Shanghai Municipality is located on the shore of the East China Sea, has jurisdiction over 20 countries, is China's largest city, and has approximately 11 million people. The two provinces and one municipality include a total of about 93 million people.

According to sample design, 5,000 married women under 50 were selected in Hebei Province, and 4,000 each in Shaanxi Province and Shanghai Municipality. Sample probabilities approximated 0.05 percent in Hebei Province, 0.1 percent in Shaanxi Province, and 0.2 percent in Shanghai Municipality. Sampling method criteria used were stratification, multistage, probability ratio, and equidistant randomization. There were 1,493 village and residential small

groups in 666 village and neighborhood committees in 306 townships, small towns, and residential streets in 83 counties and municipalities (prefectures) chosen in the two provinces and one municipality; 17,876 households completed the survey, a completion ratio of 97.7 percent; 13,307 married women of fertile age completed the survey, a completion ratio of 96.3 percent. Among them, 5,080 were surveyed in 6,723 households in on-the-spot surveys in Hebei Province for a completion ratio of 97.5 percent, 4,084 surveyed in 5,250 households in Shaanxi Province for a completion ratio of 96.1 percent, and 4,143 surveyed in 5,903 households in Shanghai Municipality for a completion ratio of 99.12 percent; 515 women in 427 households could not be surveyed because the household had moved, the woman to be surveyed was ill, and so on.

II. Marriage Conditions

A. Marriage rates are high, divorce rates low, and marital ties stable. Marriage is a prerequisite for reproduction. Understanding marriage conditions is an important dimension in the study of fertility levels. This time a total of 19,956 women of fertile age between 15 and 19 years old were surveyed: 7,473 in Hebei, 6,362 in Shaanxi, and 6,121 in Shanghai. Analysis of their marital conditions clearly show a high marriage rate for women in the two provinces and one municipality, with the greater portion of women married before the age of 35. Few never marry. All the women in Hebei Province between 35 and 49 years of age had married before the age of 35. In Shaanxi and Shanghai, 0.3 and 1.7 percent, respectively, of those from 35 to 39 years of age were unmarried, and for both only 0.2 of those from 45 to 49 years of age were unmarried. The proportion of those divorced or separated in the two provinces and one municipality was very low, only 0.1 percent in Hebei, 0.3 percent in Shaanxi, and 0.4 percent in Shanghai. Not only is this much lower than in developed capitalist countries, it is also lower than in many developing countries, which reflects the stability of China's marital relations.

Principle cause of dissolution of marriage was the death of a spouse, though the rate for death of a spouse is also lower. See the table below:

Marital Status of Women of Fertile-Age in Two Provinces and One Municipality in 1985

Marital Status by place	Age-Group							
	Mean	15-19	20-24	25-29	30-34	35-39	40-44	45-49
Unmarried								
Hebei	30.3	97.5	54.4	3.1	0.3	---	---	---
Shaanxi	30.2	95.9	44.8	3.7	0.2	0.3	0.2	0.2
Shanghai	31.1	99.9	82.2	21.7	5.1	1.7	0.7	0.2

[Table continued]

	Mean	15-19	20-24	25-29	30-34	35-39	40-44	45-49
Married								
Hebei	69.1	2.5	45.5	96.7	99.4	99.6	98.2	95.6
Shaanxi	68.5	4.1	55.2	96.0	99.1	99.4	97.0	92.0
Shanghai	67.9	0.1	17.8	77.8	93.9	97.3	96.8	95.6
Divorced/Separated								
Hebei	0.1	---	0.1	0.1	---	0.1	0.2	0.2
Shaanxi	0.3	---	---	0.3	0.5	0.3	0.7	0.7
Shanghai	0.4	---	---	0.4	0.7	0.6	0.7	0.4
Widowed								
Hebei	0.5	---	---	0.1	0.3	0.3	1.6	4.2
Shaanxi	1.0	---	---	---	0.2	---	2.1	7.1
Shanghai	0.6	---	---	---	0.3	0.4	1.8	3.8

B. Early marriage has clearly declined over the past 30 years. The median marriage age is moving upward. Changes in age at first marriage has great significance for fertility. Women who marry before 20 years of age are an indicator for understanding early marriage. Survey data show that this ratio is already clearly dropping; 42.2 percent of the 45- to 49-year-old age group in Shanghai Municipality married before the age of 20. It dropped for the 35- to 39-year old age-group to 10.3 percent, and dropped for the 25- to 29-year-old and 20- to 24-year-old age groups to 1.2 percent and 2.8 percent, respectively. There has been a slight rebound upward in recent years. Early marriages in Hebei and Shaanxi provinces dropped steadily from 59.2 percent and 79.7 percent for the 45- to 49-year-old age group to 13.8 and 19.3 percent for the 20-to 24-year-old age group. Though extremely widespread among women of these two provinces born in the 1930's and 1940's, early marriage of young women has already dropped by a large degree. Nonetheless, nearly one fifth of women in Shaanxi Province in the 20- to 24-year-old age group married before reaching the legal age of marriage, which shows there is still a great need to energetically promote late marriage in the interior and agricultural districts. The late marriage ratio in Shanghai Municipality is clearly rising; 2.3 percent of the 45- to 49-year-old age group reached the age of 30 unmarried, and rose steadily to 9.2 percent for the 30- to 34-year-old age group.

The median marriage age, the age that divides the total number of married women into two equal halves, is also a useful general indicator. The upward or downward movement of this value can test whether the trend in marriage is toward late or early marriage. It can be seen from the table that the median marriage age gradually rose between the 45- to 49-year-old and the 25-to 29-year-old age groups. In Shanghai Municipality, it rose from 20.7

years to 25.6 and 25.3 years, a rise of more than 4 years. However, there was a slight drop for the 20- to 24-year-old age group. In Shaanxi, it rose from 17.9 to 22.3 years, a rise of 4.4 years. In Hebei, it rose from 19.4 to 22.8 years, a rise of 3.4 years. This reflects the results achieved in promoting late marriage in the two provinces and one city. See the table below:

	Percent Married by 20-Years-Old			Percent Unmarried by 30-Years-Old			Median Age of Marriage		
Age-Group	a.	b.	c.	a.	b.	c.	a.	b.	c.
20-24	13.8	19.3	2.8	---	---	---	---	---	---
25-29	9.6	20.8	1.2	---	---	---	22.8	22.3	25.3
30-34	26.3	47.6	4.2	0.1	0.3	9.2	22.4	20.3	25.6
35-39	37.4	65.4	10.3	0.4	0.4	9.0	20.9	19.0	23.7
40-44	53.5	75.9	33.6	1.8	0.7	2.3	19.7	18.3	22.0
45-49	59.2	79.7	42.2	1.9	0.2	2.3	19.4	17.9	20.7

Note: a. Hebei
b. Shaanxi
c. Shanghai

C. The modal age at first marriage has risen in the last 30 years more quickly for Shanghai and Hebei women. Shaanxi has also risen recently, though the trend is weaker.

The modal age for first marriages (that is, the age with the largest number of marriages) is another indicator for observation as to whether the age of marriage is earlier or later. Survey data indicate that the rise in the modal age for first marriages in Shanghai Municipality was early and rapid. The modal age for first marriages by women in the 45- to 49-year-old age group who married in the 1950's is 18. The modal age for first marriages for women in the 40- to 44-year-old age group who married in the late 1950's and 1960's rose to 19. The 35- to 39-year-old age group's modal age for first marriages rose to 22 years in the late 1960's. In the 1970's, after promoting delayed marriages and delayed procreationo, the modal age for first marriages quickly rose to nearly 25 for the 30- to 34-year-old age group. However, the modal age of first marriages for the women in the 25- to 29-year-old age group married in the early 1980's dropped to 23 and 24 due to the new marriage law which stipulated that the legal marriage age be 22. The Hebei Province modal age for first marriages is also rising more quickly. The modal age for first marriages for women in the 45- to 49-year-old and 40- to 44-year-old age groups were 19 and 18, respectively. It rose for women in the 35- to 39-year-old age group to 20. In the 1970's, after energetically promoting late marriage, the modal age for women at first marriage in the 30- to 34-year-old age group rose to 24. In the early part of the 1980's the modal age for women at first marriage in the 25- to 29-year-old age group rose to 22. Changes in the modal age for women at first marriage in Shaanxi Province

are somewhat different. For a long time after the founding of the PRC, it wavered around 17, 18, and even 16. It rose to 22 only most recently. As in the table below:

Model Age of Marriage for Women of Fertile Age in Two Provinces and One Municipality

Age-Group	Hebei	Shaanxi	Shanghai
25-29	22	22	23-24
30-34	24	18	25
35-39	20	18	22
40-44	18	16	19
45-49	19	17	18

D. Over the past 10 years, the mean age for first marriages in Shanghai Municipality has risen by more than 1 year, but has started to subside in Shaanxi Province, and it is dropping somewhat in Hebei Province. Marriage trends can be studied by calculating the mean age at first marriage. The mean age can be standardized or unstandardized on the basis of female age structure. The table below shows that the difference between the two is quite small:

Mean Age at First Marriage for the Past 10 Years in Two Provinces and One Municipality

	Unstandardized Mean for Age at First Marriage			Standardized Mean for Age at First Marriage		
Year	Hebei	Shaanxi	Shanghai	Hebei	Shaanxi	Shanghai
1975	22.1	21.3	24.6	22.7	21.5	23.8
1976	22.6	21.6	24.9	22.9	21.8	24.4
1977	22.6	22.0	25.4	22.8	22.1	24.7
1978	22.6	22.2	24.9	22.6	22.4	24.4
1979	22.6	22.3	25.4	22.5	22.4	24.8
1980	22.5	22.4	25.1	22.2	22.5	25.5
1981	22.4	22.0	24.9	22.1	22.2	24.7
1982	22.2	21.7	25.1	21.7	22.0	25.0
1983	21.8	21.8	25.1	21.8	22.1	25.2
1984	21.6	21.6	25.9	21.9	21.9	26.0

The standardized age in the mid-1970's in Shanghai Municipality was more than 24, and rose steadily in the early part of the 1980's to more than 25.

Gross First Marriage Rate for the past 10 Years in Two Provinces and One Municipality

Year	Hebei	Shaanxi	Shanghai
1975	0.717	0.636	0.625
1976	0.746	0.691	0.905
1977	0.836	0.619	0.695
1978	0.983	0.748	0.775
1979	1.102	0.915	0.825
1980	1.277	1.031	1.200
1981	1.192	0.988	1.510
1982	1.006	0.905	1.180
1983	0.981	1.078	1.120
1984	0.769	0.636	0.990

E. The gross rate for first marriages in the two provinces and one municipality for the first part of the 1980's was higher, the highest rates in the past 10 years, but dropped somewhat by 1984.

The gross first-marriage rate is the sum of first-marriage rates by age group, and is based on the projected hypothetical ratio for first-marriage rates by age group for a certain year of those married by age 50. The gross first-marriage rate should approach 1.0 in a stable situation, and reflects the short-term instability in the difference with the expected value for this period. Looking at the data for the past 10 years, the gross rate for first marriages was very low in the mid-1970's, between 0.6 and 0.7, which reflects the factors of educated youth being sent down to the countryside and late marriage being energetically promoted. The number of marriages were few. In the early 1980's, the gross first-marriage rate exceeded 1.0. In Shanghai Municipality, it was 1.2 in 1980, and reached 1.51 in 1981. In Hebei Province, it was 1.277 in 1980 and 1.92 in 1981, which is the modal value for the past 10 years. In Shaanxi Province, it was 1.031 in 1980, and 0.988 in 1981, which is also rather high. It reflects the high mode which appeared in these past few years. There has been somewhat of a drop in the gross rate for first marriages in the past 1 or 2 years. See the table below:

	Number of Delayed Marriages			Percent of Delayed Marriages		
Reasons for Delaying Marriage	Hebei	Shaanxi	Shanghai	Hebei	Shaanxi	Shanghai
Totals	414	196	240	100	100	100
Government urging	214	98	103	52	50	43
Lack of housing	54	13	74	13	7	31
Fiance out of town	59	22	12	14	11	5
Study	8	16	11	2	8	4
Other	79	47	40	19	24	17

F. Several factors affecting marriage

1. The principle factor in delayed marriage is education for late marriage. Survey data show that 850 married women of fertile age, or 6.4 percent of the number of women in the survey, reported for themselves the delaying of marriage for more than 1 or 2 years in the two provinces and one municipality. Since there were no data on unmarried women, this figure is lower than the actual one for delayed marriage. Only on the basis of the 850 women who reported conditions for themselves, the reasons for delaying marriage are as in the following table:

The above survey data show that national policy and education for late marriage are the principle factors in delayed marriage, taking up 52, 50, and 43 percent, respectively, in the two provinces and one municipality. Secondary reasons for delayed marriage are housing, the groom being out of town, and study.

2. To promote late marriage, arranged marriage must be eliminated. The survey proves that there are fewer and fewer arranged marriages in China.

Ideal Age of Marriage for Women	Percent of Women Surveyed		
	Hebei	Shaanxi	Shanghai
18 years old or less	0.6	4.6	0.1
19-20	12.8	29.5	6.1
21-22	31.9	27.2	17.0
23-24	36.1	25.3	36.2
25-26	9.5	5.4	34.4

It is shown above that the proportion of arranged marriages for married women over the age of 23 to 24 is lower, but the proportion of arranged marriages is higher for married women under 23. In both Hebei and Shanghai it was above 11 percent, and 27.8 percent in Shaanxi. These figures show that the elimination of arranged marriage will lead to a reduction in early marriage.

3. The ideal marriage age for most women in Shanghai and Hebei is consistent with the late marriage called for by the nation. There is a significant segment of women in Shaanxi whose ideal marriage age is still lower than the starting age set by the new marriage law. Survey data show that in Shanghai Municipality 36.2 and 34.4 percent of married women of fertile age advocate marriage at age 23 and 24 and 25 to 26, respectively, and only 17 percent advocate marriage from age 21 to 22. Some older women feel that it is better to marry between the ages of 25 to 26. Some women who married early regret that they married somewhat early. In Hebei Province, 36.1 percent of the married women of fertile age advocate marriage at the age of 23 to 24, and 31.9 percent advocate marriage at the age of 21 to 22. Surprisingly enough, however, 29.5 percent of married women of fertile age in Shaanxi Province advocate marriage from 19 to 20 years of age (which is lower than the legal minimum marriage age of 20). The majority who hold this view are older women who themselves married early. As in the table below:

Ideal Age of Marriage for Men by Married Women in Two Provinces and One Municipality

Ideal Age of Marriage for Men	Percent of Women Surveyed		
	Hebei	Shaanxi	Shanghai
20-21	6.8	10.7	0.5
22-23	34.8	37.3	12.5
24-25	40.6	35.6	32.9
26-27	7.9	6.5	34.5
28-29	1.2	0.9	11.3

As reflected in the two provinces and one municipality, and especially in Shaanxi Province, there are still some women who think that the ideal marriage age is lower than the legal minimum. Propaganda and education for late marriage should continue to be strengthened.

Summing up what was described above, the basic situation of marriage is: (a) As in many other areas of China, in the two provinces and one municipality the marriage rate is high and marital relations are stable. (b) Just as the early marriage form has been developing over the past 30 years in the direction of the late marriage form, the median marriage age has been climbing, the modal age at first marriage has risen, and arranged marriages have been greatly reduced. (c) The gross first-marriage rate exhibited a high value for a brief period in the early part of the 1980's due to the large number of marriages. There was already a trend downward in 1984.

However, nearly one-fifth of women of fertile age in Shaanxi Province are still marrying before reaching the legal minimum age set by law. Currently, 13.9 percent of the marriages in this province are arranged marriages. The ideal age for marriage for nearly 30 percent of the women is lower than that set by the marriage law. In recent years, the mean age for first marriages has dropped somewhat in Hebei Province. All of this shows that propaganda and education for late marriages should still continue to be energetically strengthened.

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POPULATION

CRITIQUE OF CENSUS METHODOLOGY

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[Article by Bai Jianhua [4101/1696/5478] in a work unit of the Population Census Office of the State Council" "The Situation of China's Urban and Rural Population"]

[Excerpts] Note: The total population used in the urban-national population ratio. The first census of 582,603,417 did not include population figures for Taiwan Province and overseas Chinese. The second census of 694,580,000 did not include population figures for Taiwan Province, Hong Kong, Macau, and overseas Chinese. The third census of 1,003,879,231 did not include population figures for currently active military personnel, the areas of Jinmen [Quemoy], Mazu [Matsu], Taiwan Province, Hong Kong, and Macao, and overseas Chinese. The population figures of 1,030,513,413 from 1984 did not inlcude currently active military personnel, the areas of Taiwan Province, Hong Kong, and Macao (none of the annually reported statistics include overseas Chinese).

Developmental Conditions of Urban-Rural Populations

China's urban population in the first national census in 1953 was 77,257,282, which was 13.26 percent of the county's total population. The urban-town population for 166 cities was 43,534,255 and for 5,402 towns was 33,723,027. In the second national population census in 1964, China's city-town population was 97,908,303, including a population of 68,388,749 for 168 cities and a population of 29,519,554 for 3,148 towns. Compared with the first census, the city-town population increased 20,651,021, a 1.87 million mean annual increase. The city-town portion of the total population rose from 13.26 to 14.1 percent. In the third national population census of 1982, China's city-town population was 206,588,582, including a population of 144,679,340 for 236 cities and a population of 61,909,242 for 2,644 towns. Compared with the second national population census, the city-town population increased 108,680,279, a 6.03 million mean annual increase. The city-town portion of the total population rose from 14.1 to 20.6 percent.

China's city-town population at the end of 1984 was 325,824,716, including 191,350,595 in 295 cities and 134,474,121 in 6,211 towns. Compared with the third census, the city-town population increased 119,236,134, a 47.69

million mean annual increase. The city-town portion of the total population climbed from 20.6 to 31.62 percent.

It can be seen from the third census described above and the 1984 city-town population statistics that:

I. The number of towns has diminished in each of the three censuses. They fell 2,254 from the first to the second censuses. They fell 484 from the second to the third censuses, a drop of more than half. At the end of 1984, the number of towns rose 3,547 a 1.3-fold increase.

II. The population figures fell 4 million between the second and third censuses.

III. The city-town proportion of the total increased in the 11 years between the first and second censuses by a total of 0.84 percent, a mean annual increase of 0.076 percent. In the 18 years between the second and third censuses, the total rise was 6.5 percent, a mean annual increase of 0.36 percent. In the 2.5 years between the third census to the end of 1984, the total increase was 11 percent, a mean annual increase of 4.4 percent.

The several figures cited above for China's city-town population over 30 years show, especially with regard to the process of growth in town populations, that there are wide numerical disparities and a broad range of fluctuation, and that the figures cannot reliably reflect the true circumstances of urban-rural population growth.

Problems in Urban-Rural Population Statistics

Why do urban-rural population figures show the above-mentioned contradictions? In general, they were created by two inconsistencies: China's city-town organizational rules and earlier and later standards for population distinctions; and, the lack of consistency by the various locales implementing these rules. Concretely speaking:

I. It is related to the figures for towns: At the time of the 1953 census, a ruling had yet to be made by the country on the standards for setting up cities and towns. Because of this, at the time of the census the various areas filled in forms according to local customary usage. Towns tended to be small, with a 622 mean population per town. There were 1,871 towns with fewer than 3,000 people, over one-third the figure for all towns. At the time of the second census, a fair-minded CPC Central Committee issued a "Directive To Adjust the Organizational System of Cities and Towns, and Shink the Suburbs of Cities." The directive raised earlier standards for establishment of towns. In 1955, the State Council ruled that a town could be established if the residential district had over 2,000 normal residents and if over one-half the population were not agriculturalists; or where there was a settled population over 3,000 and 70 percent of the population was not agricultural; or there was a settled population of over 2,500 but under 3,000, and 85 percent of the population was not agricultural. The ruling that a town could be set up for a county's people's government seat no matter

what the agricultural population remained unchanged. Due to this ruling, 884 of 4,032 towns were downgraded, and so the number of towns in the second census was smaller than in the first census. Why was the number of towns in the third census further reduced from that of the second census? It was principally that some places, in order to demonstrate the "large in size and collective in nature" positive characteristics of the people's communes, merged towns, which were originally under the jurisdiction of counties (and which were a unit of the same level as the people's commune), into communes, and they became towns under the jurisdiction of communes. For example, Hebei, Shanxi, and Shandong Provinces integrated many urban towns into urban communes, making them into the equivalent of production brigades in those communes and resulting in many counties without towns and cities. For example, in the second national census, there were 114 towns in Hebei Province. This figure dropped to 50 in the 3rd national census. It was calculated at that time that there were 130 counties in Hebei Province, and unexpectedly there were 89 counties without a single town. There were 121 towns in Shandong Province during the second census, dropping to 97 in the third census. At that time, there were 105 counties in Shandong Province, with 8 counties having no towns at all.

This state of affairs is obviously not in accord with reality and does not meet state regulations concerning the setting up of towns. Why did the number of towns suddenly increase in 1984? It was principally because the state eased standards for setting up towns in these years. The State Council approved for forwarding the Ministry of Civil Affairs "Report on Adjusting Standards for Establishing Towns." The report stipulated that, "In townships with total populations under 20,000, a town can be established if the township seat has a nonagricultural population that exceeds 2,000. In townships with total populations over 20,000, a town can be established if the township seat has a nonagricultural population of over 10 percent of the township's total population. "If there is a real need, a town organizational structure can also be set up for minority districts, remote districts with sparse populations, mountain districts, and districts with small-scale factories and mines, and places with small harbors, scenic and tourist places, places with border crossings, and so on where the nonagricultural population is less than 2,000." "All townships having the conditions for the establishment of a town, once the township has been eliminated and a town set up, a system where villages are under the jurisdiction of towns."

II. Concerning population figures for towns: In addition to the drop in the number of towns, second census town populations shrank by more than 4 million in comparison to the first because of changed statistical criteria for town population. Both first and second census town population statistics included nonagricultural populations. According to the 1963 State Council directive, second census population statistics only enumerated for towns their resident nonagricultural populations. Resident agricultural populations of towns were not counted. Up to the present, public security bureaus at all levels have enumerated city-town populations according to these regulations, that is, by the dual standards of: total population, where the city-town population is (the total population of all resident in cities and

towns); and, urban populations of cities and towns (the nonagricultural population of cities and towns).

III. About the circumstances of gross urgan population increases: If the city-town population are recalculated according to the consistent criteria of gross city-town population, the urban population for the first census would be 86,209,480, or 14.80 percent of the total national population. The urban population for the second census would be 130,464,696, an increase of 44,234,866 over the first census, a 4.02 million, or 3.8-percent, mean annual rate of increase, and a rise to 18.78 percent of the total national population. The urban population for the third census would be 206,588,582, an increase of 76,123,886 over the second census, a 4.23 million, or 2.6-percent, mean annual increase, and 20.6 percent of the total national population. The 1984 urban population was 325,824,716, a 47.69 million, or 20-percent, mean annual rate of increase for 2 years, and 31.62 percent of the total national population. Examined after the criteria have been made consistent, problems still remain for the fourth urban population figures, principally insofar as the 1984 figures are clearly overly high and the third census figures slightly low. There was an unexpected sixfold increase over the space of 2.5 years in the mean annual rates of increase. The principle cause for the appearance of this was that quite a few places had merged towns into people's communes, and made calculations on the basis of township and village populations, thus, giving the 1984 figures an upward bias. Principally, there are some places which incorporated population figures for villages under town administration into total town populations.

Making a comprehensive survey of problems which appeared in China's urban-rural population figures is clearly intimately linked with the regulations for the organization system of cities and towns, and especially with the regulations being carried out for the organizational system of cities and towns, and cannot be simply solved by making the criteria for calculation consistent. The emphasis below is on talking about some problems related to the organizational system of cities and towns.

A. The excessively large dimension of city suburbs: The CPC Central Committee and State Council stipulate that "City suburbs should be shrunk as much as possible, and that in general the agricultural proportion of the total city population should not exceed 20 percent." According to the 1984 annual report of the Ministry of Public Security stastistics, the total population of the country's 295 cities at the end of 1984 was 191,350,595, including an agricultural population of 80,976,304. It was 42.3 percent of the total population of cities, and exceeded regulations by more than 100 percent. Looked at province by province, and except for the four provinces, municipalities, or self-governing regimes of Beijing, Shanghai, Liaoning, and Xinjiang which did not exceed the regulations, the 25 other provinces, municipalities, or self-governing regions all exceeded the regulations. Fujian and Anhui exceeded the regulations by over 50 percent, while Shandong (67.98 percent), Yunnan (64.92 percent), Guizhou (63.23 percent), and Guangxi (60.85 percent) exceeded the regulations by over 60 percent. Looked at city by city, the problem is even more pronounced. In quite a few municipalities, the agricultural population unexpectedly accounts for

over 80 or 90 percent of the total municipal populations. Xiaogan City in Hebei, Yulin City and Qinzhou City in Guangxi, and Baoshan City in Yunnan exceeded the regulations by over 90 percent. Thirty-two cities in Hebei and 14 other provinces exceeded the regulations by over 80 percent. There are many reasons why the proportion of agriculturalists is this high. The principle ones are:

1. Some cities incorporate a large slice of agricultural villages as municiple suburbs to increase their authorized strength and treatment. The intention is to raise the city's grade and benefits by raising its population figures. This tendency is universal.

2. Some cities are currently incorporating many farm villages in expansion plans not to be realized for several years.

3. Some cities were created out of counties. That is, the county was changed into a city, and all the agricultural village districts belonging to the county became suburbs of the city. This basically conflates the limits of the city with those of the county. This situation has appeared principally in the last couple of years.

Some cities are created out of mining districts, and because of this their dimensions and the agricultural proportion of their populations are large. For example, Guizhou's Liupanshui City has an area of nearly 1,000 square kms and a population of 2.08 million (third census figures), over 85 percent of whom are in agricultural. The attached three special districts of Liuzhi, Panxian, and Shuicheng (namely, what were originally the counties of Liuzhi, Pan, and Shuicheng) all told only have populations of 100,000 to 250,000 people, and are separated by between 10 to more than 100 km.

5. Since city dimensions differ in size, city differences in population structure are also quite large. Looking at the two municipalities under the central government, Beijing and Shanghai, Shanghai Municipality's population is 6.32 million (third census figures). There is not a single agricultural village or people's commune within its administrative area. Its whole population is residential. Among the 5.59 million population of Beijing Municipality (third census figures), there is actually included a 880,000 farm village and people's commune population in the districts of Chayang, Haidian, Fengtai, Shijingshan, and Mentougou.

B. There is no clear standard that differentiates large, medium, and small cities. What is a large, medium, or small city has not been stipulated by the country's Civil Affairs Ministry, which is responsible for administrtaive divisions. Relevant responsible departments distinghish on their own for their own work needs between small, medium, and large cities. Because of this, opinions have varied over the past 30 years since the establishment of the PRC as to standards for large, medium, and small cities. Though this problem's link to the distinction between urban-rural populations is not great, it is still a problem in city organizational structure for which clarification is very much overdue.

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END